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華潤燃氣控股有限公司
China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

**CONTINUING CONNECTED TRANSACTIONS AND
REVISION OF THE EXISTING ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

CHANGZHI FRAMEWORK AGREEMENT

On 21 June 2024, Changzhi CR Gas, an indirect wholly-owned subsidiary of the Company, and Shanxi Gas entered into a new framework agreement, pursuant to which, the Group agrees to purchase and Shanxi Gas agrees to supply natural gas from 21 June 2024 to 31 December 2024.

**REVISION OF THE EXISTING ANNUAL CAPS OF THE CONTINUING CONNECTED
TRANSACTIONS**

Reference is made to the announcement of the Company dated 31 December 2021 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group (Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas) and Shanxi Gas.

The continuing connected transactions contemplated under the Existing Framework Agreements will expire on 31 December 2024. Given the Board expects the continuing connected transactions under the Existing Framework Agreements may exceed the Existing Annual Caps, the Board proposes adjusting the Existing Annual Caps for the year ending 31 December 2024 upwards.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shanxi Gas is interested in 10% of the registered capital of Hongdong CR Gas, a subsidiary of the Company. Shanxi Gas is a substantial shareholder of Hongdong CR Gas and hence a connected person at the subsidiary level of the Company. Therefore, transactions between the Group and Shanxi Gas constitute connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the annual caps of continuing connected transactions, the Company shall re-comply with the relevant requirements under Chapter 14A of the Listing Rules for the relevant continuing connected transactions.

Pursuant to Rule 14A.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under Changzhi Framework Agreement and the transactions under the Existing Framework Agreements shall be aggregated and the Company shall use the largest annual cap during the term of each framework agreements in calculating the assets ratio, revenue ratio and consideration ratio of the continuing connected transactions. As all applicable percentage ratios calculated under Rule 14A.81, Rule 14A.78 and Rule 14.07 of the Listing Rules in respect of the aggregated maximum annual consideration payable by the Group to Shanxi Gas under Changzhi Framework Agreement and the Existing Framework Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under all relevant framework agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Rule 14A.76.

CHANGZHI FRAMEWORK AGREEMENT DETAILS

(a) Date

21 June 2024.

(b) Parties

- (i) Changzhi CR Gas, as the purchaser; and
- (ii) Shanxi Gas, as the supplier.

(c) Transaction nature

Pursuant to Changzhi Framework Agreement, Changzhi CR Gas, a non-wholly owned subsidiary of the Company, will purchase and Shanxi Gas will supply a monthly volume of natural gas, and during the term of the agreement, Changzhi CR Gas will purchase and Shanxi Gas will supply a total natural gas volume of approximately 85,000,000 m³.

(d) Prices and basis of pricing

The prices for the purchase and supply of natural gas under Changzhi Framework Agreement are determined pursuant to the documents in effect published by the National Development and Reform Commission (國家發展和改革委員會), provincial pricing competent authorities and upstream gas suppliers from time to time, subject to the price adjustments of natural gas and pipeline fee made by the National Development and Reform Commission (國家發展和改革委員會), upstream gas suppliers and any other relevant PRC government authorities.

(e) Term

Changzhi Framework Agreement shall be valid for the period from 21 June 2024 to 31 December 2024.

(f) Payment

Under the respective Changzhi Framework Agreement, Changzhi CR Gas agrees to make monthly payment for the natural gas fee in advance based on the respective estimated volume of gas to be consumed for the relevant month, and settle the balance for the amount specified in the bill based on the respective records on the actual volume of gas consumed for the relevant month between (i) Changzhi CR Gas and (ii) Shanxi Gas.

ANNUAL CAP UNDER CHANGZHI FRAMEWORK AGREEMENT

In determining the annual cap of the transactions under Changzhi Framework Agreement, the Company has considered several assumptions and factors, including the relevant data of previous transactions, the past consumption of natural gas, the existing scale and operations of each of the relevant members of the Group involved in these transactions, the anticipated growth and development of natural gas distribution business of the Group and the anticipated growth of the gas users as a result of the economic growth.

The Directors expect the maximum aggregate annual consideration of purchases of natural gas by Changzhi CR Gas from Shanxi Gas pursuant to Changzhi Framework Agreement for the year ending 31 December 2024 will not exceed RMB263,632,753.

The above estimated annual cap is the aggregate amount of the maximum consideration of purchases under the Changzhi Framework Agreement, which is calculated based on the estimated prices per m³ at which natural gas is to be purchased and supplied and the estimated volume of natural gas to be purchased and supplied under Changzhi Framework Agreement.

The estimated prices per m³ at which natural gas is to be sold and purchased pursuant to Changzhi Framework Agreement are estimated by reference to prevailing market price, the historical prices at which natural gas was sold and purchased over the past years, and the relevant policies stipulated by the respective provincial government authorities. The outbreak and development of the COVID-19 pandemic and regional wars and the resulting fluctuations in the global demand and supply of energy has posed challenges to the development of the natural gas market in China and caused fluctuations in the price and supply of natural gas in the past two years. There are still uncertainties in the trend of international natural gas prices. The Company has taken into account the volatility and changing nature of the natural gas industry recently in determining the estimated total prices at which natural gas is to be purchased and supplied under Changzhi Framework Agreement and have accordingly included a buffer of 18% in respect of the annual cap for 2024 to account for possible fluctuations in the price and supply of natural gas.

The Company is of the view that the terms of the transactions under Changzhi Framework Agreement are on normal commercial terms.

REVISION OF THE EXISTING ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 31 December 2021 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group (Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas) and Shanxi Gas.

The continuing connected transactions contemplated under the Existing Framework Agreements will expire on 31 December 2024. Given the surge in the unit price of natural gas, the Board of the Company expects the transacted amounts of the continuing connected transactions under the Existing Framework Agreements may exceed the Existing Annual Caps as set out in the announcement of the Company dated 31 December 2021. On 21 June 2024, the Board of the Company resolved to adjust the Existing Annual Caps for the year ending 31 December 2024 upwards. All terms and conditions under the Existing Framework Agreements remain unchanged.

The major terms of the Existing Framework Agreements are set out in the section headed “NEW FRAMEWORK AGREEMENTS DETAILS” in the announcement of the Company dated 31 December 2021.

Historical figures under the Existing Framework Agreements

The annual caps and actual transacted amounts for each of the years ended on 31 December during the period of 2022 to 2024 are as follow:

Year	Annual Cap (RMB)	Actual Transacted Amount (RMB)
For the year ended 31 December 2022	1,306,564,883	371,485,000
For the year ended 31 December 2023	1,550,981,266	1,175,784,000
For the year ending 31 December 2024 (the actual transacted amounts are calculated as at 30 April 2024)	1,723,936,344	409,733,996

A breakdown of the annual caps by each of the Existing Framework Agreements is as follows:

	Annual Cap for 2024 (RMB)
Yangquan CR Gas	519,601,250
Datong CR Gas	840,000,000
Hongdong CR Gas	107,250,000
Huozhou CR Gas	33,565,000
Yangqu CR Gas	219,807,504
Loufan CR Gas	3,712,590

Revised Annual Caps

The Directors expect the maximum aggregate annual consideration of purchases of natural gas by Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas from Shanxi Gas pursuant to the Existing Framework Agreements will not exceed the following amount:

Year	Annual Cap (RMB)
For the year ending 31 December 2024	2,036,367,247

The estimate of the Revised Annual Cap as shown in the table above represents the maximum total consideration under each of the Existing Framework Agreements, each of such maximum consideration is calculated based on the estimated prices per m³ at which natural gas is to be purchased and supplied and the estimated volume of natural gas to be purchased and supplied under the respective Existing Framework Agreements.

A breakdown of the Revised Annual Caps under each of the Existing Framework Agreements proposed by the Board for the year ending 31 December 2024 is as follows:

	Revised Annual Cap for 2024 (RMB)
Yangquan CR Gas	519,601,250
Datong CR Gas	840,000,000
Hongdong CR Gas	214,500,000
Huozhou CR Gas	67,130,000
Yangqu CR Gas	384,663,132
Loufan CR Gas	10,472,865

The Revised Annual Cap is mainly determined by the Group and Shanxi Gas upon arm's length negotiation with reference to, among other things, the below:

- (i) From 1 January 2024 to 30 April 2024, the actual transacted amounts incurred under the Existing Framework Agreements are approximately RMB409,733,996, accounting for approximately 24% of the Existing Annual Caps for the year ending 31 December 2024;
- (ii) The anticipated volume of natural gas to be purchased and supplied under the Existing Framework Agreements; and
- (iii) The price of natural gas upon surge, and a 18% buffer for the cap is included upon consideration of the price trend and possible fluctuations of natural gas for this year.

The Company considered that the terms of the transactions pursuant to each of the Existing Framework Agreements are on normal commercial terms.

REASONS AND BENEFITS OF THE TRANSACTIONS

Changzhi Framework Agreement

The Group is principally engaged in downstream gas distribution in the PRC. The Directors believe that the continuing connected transactions are (i) necessary for the operation of the Group's businesses as an ongoing concern, (ii) beneficial for the business operation of the Group, (iii) consistent with the businesses and commercial objectives of the Group in exploring market opportunities for gas and gas related products and services in the PRC, (iv) helping Changzhi CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Changzhi City.

Revision of annual caps for the Existing Framework Agreements

The annual caps under the Existing Framework Agreements are adjusted due to the surge in the price of natural gas, which results in the corresponding increase in the total procurement amounts of the Group accordingly. Given the surge in the price of natural gas and the unchanged procurement volume as currently anticipated, the Board expects that the Existing Annual Caps under the Existing Framework Agreements for the year ending 31 December 2024 would be exceeded. As such, the Board proposes the revision of the Existing Annual Caps under the Existing Framework Agreements for the year ending 31 December 2024.

The Board is of the view that Changzhi Framework Agreement and the Revised Annual Cap would benefit the business development of the Group and satisfy business needs. The Company will continue to conduct adequate supervision on the transacted amounts of related annual caps in the future to ensure the adoption of necessary measures and appropriate actions on a timely basis for complying with the applicable requirements of the Listing Rules. The terms of Changzhi Framework Agreement and the Existing Framework Agreements are determined upon arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that Changzhi Framework Agreement and the Existing Framework Agreements as well as the revision of the Existing Annual Caps are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanxi Gas is interested in 10% of the registered capital of Hongdong CR Gas, a subsidiary of the Company. Shanxi Gas is a substantial shareholder of Hongdong CR Gas and hence a connected person at the subsidiary level of the Company. Therefore, transactions between the Group and Shanxi Gas constitute connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the annual caps of continuing connected transactions, the Company shall re-comply with the relevant requirements under Chapter 14A of the Listing Rules for the relevant continuing connected transactions.

Pursuant to Rule 14A.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under Changzhi Framework Agreement and the transactions under the Existing Framework Agreements have to be aggregated and the Company must use the largest annual cap during the term of each framework agreements in calculating the assets ratio, revenue ratio and consideration ratio of the continuing connected transactions. As all applicable percentage ratios calculated under Rule 14A.81, Rule 14A.78 and Rule 14.07 of the Listing Rules in respect of the aggregate maximum annual consideration payable by the Group to Shanxi Gas under Changzhi Framework Agreement and the Existing Framework Agreements are less than 5%, the continuing connected transactions contemplated under all relevant framework agreements are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Rule 14A.76.

INTERNAL CONTROL MEASURES

To ensure that the Company complies with the above framework agreements from time to time, the Company will adopt a series of internal control measures in its daily operations. These internal control measures will be carried out and monitored by the financial department, legal department and audit department of the Company and the measures of which include:

1. the Company has adopted and implemented a connected transaction management system in respect of the connected transactions, according to which, the legal department and the financial department are responsible for collecting information in relation to the connected transactions and monitoring connected transactions that have occurred quarterly, assessing the fairness of transaction terms and pricing terms and ensuring that all transactions under the framework agreements comply with the terms of the framework agreements;
2. the independent non-executive Directors of the Company will review the continuing connected transactions under the framework agreements to ensure that the framework agreements are concluded on normal commercial terms, are fair and reasonable, and are performed in accordance with the terms of the framework agreements. The Company's auditors will also conduct an annual review of the pricing and annual caps of the continuing connected transactions under the framework agreements; and
3. the internal audit department of the Company will monitor and evaluate on a regular basis whether the process of connected transaction complies with the Company's internal control requirements.

INFORMATION ABOUT THE PARTIES AND THE COMPANY

Shanxi Gas

Shanxi Gas is a limited liability company established in the PRC and engaged in energy development, manufacturing and supply of natural gas in the PRC. Shanxi Gas is a wholly-owned subsidiary of Shanxi Energy Corporation, a limited liability company established in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600617). Shanxi Gas is ultimately controlled by and under the supervision of The State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province of the PRC.

Changzhi CR Gas

Changzhi CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Changzhi CR Gas is primarily engaged in the provision of natural gas supply, sales of natural gas appliances and related installation and transportation services.

Datong CR Gas

Datong CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Datong CR Gas is primarily engaged in the provision of natural gas supply, sales of natural gas appliances and related installation and transportation services.

Hongdong CR Gas

Hongdong CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Hongdong CR Gas is primarily engaged in natural gas operations such as compressed natural gas development and utilization, leasing of natural gas equipment, sales of natural gas appliances, and related maintenance and installation services.

Huozhou CR Gas

Huozhou CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Huozhou CR Gas is primarily engaged in management of the compressed natural gas filling station, maintenance of gas equipment, sales of natural gas appliances and development of related infrastructure construction services.

Loufan CR Gas

Loufan CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Loufan CR Gas is primarily engaged in the provision of natural gas supply, natural gas pipeline installation and maintenance and sales of natural gas appliances.

Yangqu CR Gas

Yangqu CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Yangqu CR Gas is primarily engaged in the provision of natural gas supply, gas management, and compressed natural gas filling stations, sales of natural gas pipelines, appliances, and related maintenance services.

Yangquan CR Gas

Yangquan CR Gas is a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company. Yangquan CR Gas is primarily engaged in the provision of natural gas supply, related installation and transportation services, coal and natural gas pipelines supply, development and utilization of compressed natural gas, sales of natural gas appliances, and development of electric vehicle charging station related infrastructure construction services.

The Company

The Company is an investment holding company which through its subsidiaries and jointly controlled entities in the PRC, operates city gas distribution projects in China including natural gas pipelines and compressed natural gas filling stations.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

- “Board” : the board of directors of the Company;
- “Company” : China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited;
- “Changzhi CR Gas” : 長治天然氣有限公司(translated as Changzhi CR Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company;
- “Changzhi Framework Agreement” : the framework agreement dated 21 June 2024 and entered into between Changzhi CR Gas and Shanxi Gas (as supplier), the details of which are set out in the section headed “CHANGZHI FRAMEWORK AGREEMENT DETAILS” in this announcement;
- “Datong CR Gas” : 大同華潤燃氣有限公司(translated as Datong China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company;
- “Director(s)” : director(s) of the Company;
- “Existing Annual Caps” : the transacted amounts of the continuing connected transactions under the Existing Framework Agreements as set out in the announcement of the Company dated 31 December 2021;
- “Group” : the Company and its subsidiaries;
- “Hongdong CR Gas” : 洪洞華潤恒富燃氣有限公司(translated as Hongdong China Resources Hengfu Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company;

“Huozhou CR Gas”	: 霍州華潤燃氣有限公司(translated as Huozhou China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the Company;
“Loufan CR Gas”	: 婁煩華潤燃氣有限公司(translated as Loufan China Resources Gas Co., Lid.)*, a limited liability company established in the PRC and a non-wholly-owned subsidiary of the company;
“Existing Framework Agreements”	: six independent framework agreements all dated 31 December 2021 and entered into between each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas and Loufan CR Gas (as the purchasers) and Shanxi Gas (as the supplier), details of which are set out in the section headed “NEW FRAMEWORK AGREEMENTS DETAILS” in the announcement of the Company dated 31 December 2021;
“PRC”	: The People’s Republic of China;
“RMB”	: Renminbi, the lawful currency of the PRC;
“Revised Annual Cap”	: the annual cap for the year ending 31 December 2024 under the Existing Framework Agreements as revised by the resolution of the Board as at the date of this announcement;
“Shanxi Energy Corporation”	: 山西省國新能源股份有限公司 (translated as Shanxi Guoxin Energy Corporation Limited)*, a limited liability company established in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 600617);
“Shanxi Gas”	: 山西天然氣有限公司 (translated as Shanxi Natural Gas Limited)*, a limited liability company established in the PRC and is interested in 10% of the registered capital of Hongdong CR Gas;
“Shareholder(s)”	: Shareholder(s) of the Company;
“Yangqu CR Gas”	: 陽曲華潤燃氣有限公司 (translated as Yangqu China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company;

“Yangquan CR Gas” : 陽泉華潤燃氣有限公司 (translated as Yangquan China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non-wholly-owned subsidiary of the Company; and

“m³” : cubic meters.

By Order of the Board
China Resources Gas Group Limited
Wang Chuandong
Chairman

Hong Kong, 21 June 2024

As at the date of this announcement, the directors of the Company are Mr. YANG Ping and Mr. LI Xiaoshuang, being Executive Directors; Mr. WANG Chuandong, Mr. WANG Gaoqiang, Mr. LIU Jian and Ms. GE Lu, being Non-executive Directors; and Mr. WONG Tak Shing, Mr. YU Hon To, David, Mr. YANG Yuchuan and Mr. LI Pok Yan, being Independent Non-executive Directors.

* *The English names of the PRC-incorporated company are only English translations of the corresponding official Chinese name and are provided for identification purposes only.*