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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**

### **NEW FRAMEWORK AGREEMENTS**

Reference is made to the Company's announcement dated 30 December 2015 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

Shanxi Gas is interested in 10%, 25%, 25% and 30% of the registered capital of Hongdong CR Gas, Yangquan CR Gas, Datong Gas and Huozhou CR Gas respectively. Shanxi Gas is a wholly-owned subsidiary of Shanxi Energy Corporation, which is owned as to 31.64% by Shanxi Energy Development. Yangqu CR Gas is owned as to 35% by Shanxi Enterprise, which is a wholly-owned subsidiary of Shanxi Energy Development. Shanxi Gas is a connected person at the subsidiary level of the Company. Therefore, transactions between the Group and Shanxi Gas constitute connected transactions of the Company.

The Existing Framework Agreements are due to expire on 31 December 2018. In order to continue the continuing connected transactions, on 31 December 2018, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has entered into a New Framework Agreement with Shanxi Gas for the purchase and supply of natural gas for a term of three years commencing on 1 January 2019 and expiring on 31 December 2021.

### **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 14A.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under the New Framework Agreements have to be aggregated and the Company must use the largest annual cap during the term of the New 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 the New Framework Agreements are less than 5%, the continuing connected transactions contemplated under the New 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.

Since (i) Shanxi Gas is a connected person at the subsidiary level of the Company; (ii) the continuing connected transactions contemplated under the New Framework Agreements are on normal commercial terms; (iii) the Board has approved the continuing connected transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the continuing connected transactions are fair and reasonable, and they are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the New Framework Agreements are exempt from the circular, independent financial advice and shareholders' approval requirements and are only subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules.

## **BACKGROUND**

Reference is made to the Company's announcement dated 30 December 2015 in relation to the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

The Existing Framework Agreements are due to expire on 31 December 2018. Details of the New Framework Agreements are as follow:

## **NEW FRAMEWORK AGREEMENTS DETAILS**

### **(a) Date**

On 31 December 2018, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has entered into a New Framework Agreement with Shanxi Gas for the purchase and supply of natural gas for a term of three years commencing on 1 January 2019 and expiring on 31 December 2021.

### **(b) Parties**

*Purchaser under each of the New Framework Agreements (as the case may be):*

- (i) Yangquan CR Gas;
- (ii) Datong CR Gas;
- (iii) Hongdong CR Gas;
- (iv) Huozhou CR Gas; or
- (v) Yangqu CR Gas;

*Supplier under each of the New Framework Agreements*

- (i) Shanxi Gas.

**(c) Transaction Nature**

Pursuant to each of the New Framework Agreements, Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas, each a non-wholly owned subsidiary of the Company, will respectively commit to purchase and Shanxi Gas will respectively commit to supply an annual minimum volume of natural gas during the term of the agreement, which is three years commencing from 1 January 2019 and expiring on 31 December 2021. Under the respective New Framework Agreements, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has agreed to enter into annual supply contracts with Shanxi Gas to confirm the annual minimum volume of natural gas for each of year 2019, 2020 and 2021. Each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas (as the case may be) and Shanxi Gas is liable to the other for compensation (being the difference between the price that it would pay for the annual minimum volume and the price paid for actual amount of volume purchased or supplied) if it fails to purchase or supply natural gas in the annual minimum volume as stipulated in the annual supply contract under the New Framework Agreement to which it is a party, save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party.

Each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas may, under the respective New Framework Agreement, demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but without any obligation) to meet such additional demand at an increase in purchase price subject to the terms and conditions under the respective New Framework Agreement. Under the respective New Framework Agreements to which it is a party, subject to confirmation in the respective annual supply contract, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has each committed to purchase a minimum volume of natural gas as set out in columns (II) to (IV) of the Table A below for years 2019 to 2021 respectively:

Table A

| (I)             | (II)           | (III)          | (IV)           |
|-----------------|----------------|----------------|----------------|
|                 | 2019           | 2020           | 2021           |
|                 | Minimum Volume | Minimum Volume | Minimum Volume |
|                 | ( $m^3$ )      | ( $m^3$ )      | ( $m^3$ )      |
| Yangquan CR Gas | 59,886,302     | 59,886,302     | 59,886,302     |
| Datong CR Gas   | 130,550,623    | 130,550,623    | 130,550,623    |
| Hongdong CR Gas | 31,295,900     | 31,295,900     | 31,295,900     |
| Huozhou CR Gas  | 11,267,072     | 11,267,072     | 11,267,072     |
| Yangqu CR Gas   | 8,057,814      | 8,057,814      | 8,057,814      |

**(d) Prices and basis of pricing**

The prices for the purchase and supply of natural gas under each of the New Framework Agreements are determined with reference to the regulations pursuant to the documents in effect published by the National Development and Reform Commission (國家發展和改革委員會) and Shanxi Development and Reform Commission (山西省發展和改革委員會) from time to time, subject to the price adjustments 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**

Each of the New Framework Agreements shall be valid for a period of three years from 1 January 2019 to 31 December 2021.

**(f) Payment**

Under the respective New Framework Agreement, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas agrees to make monthly payments 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) each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas and (ii) Shanxi Gas.

**ANNUAL CAPS UNDER THE NEW FRAMEWORK AGREEMENTS**

**Historical figures under the Existing Framework Agreements**

The Existing Framework Agreements are for a term of three years commencing on 1 January 2016 and expiring on 31 December 2018. The annual caps and actual transacted amounts for each of the years ended on 31 December during the period of 2016 – 2018 are as follow:

| <b>Year</b>                          | <b>Annual Cap<br/>(RMB)</b> | <b>Actual<br/>Transacted Amount<br/>(RMB)</b> |
|--------------------------------------|-----------------------------|---|
| For the year ended 31 December 2016  | 610,234,704                 | 515,812,000                                   |
| For the year ended 31 December 2017  | 661,347,972                 | 519,703,000                                   |
| For the year ending 31 December 2018 | 722,607,696                 | 613,840,000*                                  |

\* The figure is calculated up to 30 November 2018

**The annual caps under the New Framework Agreements**

In determining the new annual caps, the Company has considered a number of 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, the anticipated growth of the gas users as a result of the economic growth and anticipated increase in the population of the relevant areas in Yangquan city, Datong city, Hongdong county, Huozhou city and Yangqu county.

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 and Yangqu CR Gas from Shanxi Gas pursuant to all New Framework Agreements will not exceed the following:

Table B

| <b>Year</b>                             | <b>Annual Cap<br/>(RMB)</b> |
|---|-----------------------------|
| For the year ending on 31 December 2019 | 746,092,000                 |
| For the year ending on 31 December 2020 | 811,090,000                 |
| For the year ending on 31 December 2021 | 865,582,000                 |

The estimates of the annual caps as shown in the Table B above are the aggregate amount of the maximum consideration of purchases under each of the New Framework Agreements, each of such maximum consideration is calculated based on the estimated prices per m<sup>3</sup> at which natural gas is to be sold and purchased under the respective New Framework Agreement as set out in Table C below multiplied by the estimated volume of natural gas to be purchased and supplied during each relevant period under the respective New Framework Agreement as set out in columns (V) to (VII) in Table D below:

Table C

|                 | <b>2019-2021<br/>Estimated<br/>price per m<sup>3</sup><br/>(RMB)</b> |
|-----------------|--|
| Yangquan CR Gas | 2.31   |
| Datong CR Gas   | 2.30   |
| Hongdong CR Gas | 2.23   |
| Huozhou CR Gas  | 2.08   |
| Yangqu CR Gas   | 3.00   |

Table D

| <b>(I)</b>      | <b>(II)<br/>2016<br/>Actual<br/>Volume<br/>(m<sup>3</sup>)</b> | <b>(III)<br/>2017<br/>Actual<br/>Volume<br/>(m<sup>3</sup>)</b> | <b>(IV)<br/>2018<br/>Actual<br/>Volume<br/>(m<sup>3</sup>)*</b> | <b>(V)<br/>2019<br/>Estimated<br/>Volume<br/>(m<sup>3</sup>)</b> | <b>(VI)<br/>2020<br/>Estimated<br/>Volume<br/>(m<sup>3</sup>)</b> | <b>(VII)<br/>2021<br/>Estimated<br/>Volume<br/>(m<sup>3</sup>)</b> |
|-----------------|--|---|---|--|---|--|
| Yangquan CR Gas | 49,349,221   | 62,229,780  | 79,271,164  | 65,900,000   | 64,900,000  | 64,900,000   |
| Datong CR Gas   | 130,259,262  | 141,331,723   | 171,767,800   | 184,800,000  | 204,200,000   | 215,600,000  |
| Hongdong CR Gas | 28,200,026   | 28,814,741  | 23,744,830  | 34,500,000   | 34,500,000  | 34,500,000   |
| Huozhou CR Gas  | 11,059,113   | 11,252,853  | 10,378,429  | 13,600,000   | 14,700,000  | 15,600,000   |
| Yangqu CR Gas   | 11,207,075   | 16,944,849  | 17,484,611  | 21,200,000   | 28,000,000  | 36,800,000   |

\* The figures included the actual volume in January to November 2018 and expected volume in December 2018

The estimated price per m<sup>3</sup> at which natural gas is to be sold and purchased pursuant to each of the New Framework Agreements is estimated by reference to prevailing market price, the historical prices at which natural gas was sold and purchased, and the relevant policies stipulated by the respective provincial government authorities. The estimated volumes of purchase and supply for the term of the New Framework Agreements are determined with reference to the historical volumes purchased and supplied under the Existing Framework Agreements as shown in columns (II) to (IV) in Table D above.

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

## **BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

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 on-going 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 Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Yangquan city, Datong city, Hongdong county, Huozhou city and Yangqu county.

Each of the New Framework Agreements is for a term of three years. The Company believes that this is normal in accordance with the business practice in the PRC and would provide further stability in the supply of natural gas from Shanxi Gas for the Group's continuous operations in the relevant cities and counties.

## **BOARD CONFIRMATION**

The Directors (including all independent non-executive Directors) have approved the execution of the New Framework Agreements and the transactions contemplated thereunder. They are of the opinion that the continuing connected transactions under the New Framework Agreements entered into between the Group and Shanxi Gas are: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis) and (iii) the terms of the New Framework Agreements (including the new proposed annual caps) are fair and reasonable and the continuing connected transactions are in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Shanxi Gas does not hold any interest in the shares of the Company. In addition, each Director has confirmed that he does not hold any equity interest in Shanxi Gas, Shanxi Enterprise, Shanxi Energy Corporation or Shanxi Energy Development. No Director is required to abstain from voting on the resolutions in respect of the New Framework Agreements (including the new annual caps).

## **LISTING RULES IMPLICATIONS**

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 interested in 10%, 25%, 25% and 30% of the registered capital of Hongdong CR Gas, Yangquan CR Gas, Datong Gas and Huozhou CR Gas respectively. Shanxi Gas is a wholly-owned subsidiary of Shanxi Energy Corporation, which is owned as to 31.64% by Shanxi Energy Development. Yangqu CR Gas is owned as to 35% by Shanxi Enterprise, which is a wholly-owned subsidiary of Shanxi Energy Development. Shanxi Gas is 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.81 and Rule 14A.78 of the Listing Rules, the transactions contemplated under the New Framework Agreements have to be aggregated and the Company must use the largest annual cap during the term of the New 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 the New Framework Agreements are less than 5%, the continuing connected transactions contemplated under the New 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.

Since (i) Shanxi Gas is a connected person at the subsidiary level of the Company; (ii) the continuing connected transactions contemplated under the New Framework Agreements are on normal commercial terms; (iii) the Board has approved the continuing connected transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the continuing connected transactions are fair and reasonable, and they are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the New Framework Agreements are exempt from the circular, independent financial advice and shareholders' approval requirements and are only subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in the New Framework Agreements and the transactions contemplated thereunder.

## **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;
- “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 Framework Agreements” | : | the five separate framework agreements dated 30 December 2015 and entered into by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas as purchaser respectively with Shanxi Gas as supplier;  |
| “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;  |
| “New Framework Agreements”      | : | the five separate new framework agreements all dated 31 December 2018 and entered into by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas as purchaser respectively with Shanxi Gas as supplier, which are more particularly described under the section “New Framework Agreements Details” of this announcement, and each a “New Framework Agreement”; |
| “PRC”                           | : | The People’s Republic of China;  |
| “RMB”                           | : | Renminbi, the lawful currency of the PRC;  |
| “Shanxi Energy Corporation”     | : | 山西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;   |
| “Shanxi Energy Development”     | : | 山西省國新能源發展集團有限公司 (translated as Shanxi Guoxin Energy Development Group Limited)*, a limited liability company established in the PRC and is interested in 31.64% of the registered capital of Shanxi Energy Corporation;  |
| “Shanxi Enterprise”             | : | 山西遠東實業有限公司 (translated as Shanxi Far East Enterprise Limited)*, a limited liability company established in the PRC and a wholly-owned subsidiary of Shanxi Energy Development; Shanxi Enterprise is interested in 35% of the registered capital of Yangqu CR Gas;  |
| “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%, 25%, 25% and 30% of the registered capital of Hongdong CR Gas, Yangquan CR Gas, Datong CR Gas and Huozhou CR Gas respectively;   |
| “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
- “m<sup>3</sup>” : cubic meters.

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

Hong Kong, 31 December 2018

*As at the date of this announcement, the directors of the Company are Mr. Wang Chuandong, Mr. Shi Baofeng, and Mr. Ge Bin, being Executive Directors; Mr. Chen Ying, Mr. Wang Yan, Madam Wan Suet Fei and Mr. Jing Shiqing, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Yu Hon To, David and Mr. Yang Yuchuan, 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.*