

CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

(Incorporated in the Cayman Islands with members' limited liability)

Stock code: 1940

GLOBAL OFFERING



Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

(Incorporated in the Cayman Islands with members' limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	300,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	30,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	270,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.77 per Offer Share and expected to be not less than HK\$1.37 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.0001 per Share
Stock code	:	1940

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 2 November 2020 and in any event, not later than Wednesday, 4 November 2020. If, for any reason, the final Offer Price is not agreed by Wednesday, 4 November 2020 (or such later date so agreed by our Company and the Sole Representative) between the Sole Representative (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The Sole Representative (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus.

28 October 2020

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk) if there is any change in the following expected timetable of the Hong Kong Public Offering:

Hong Kong Public Offering commences and **WHITE**
and **YELLOW** Application Forms available from 9:00 a.m. on
Wednesday, 28 October 2020

Latest time for completing electronic applications under
the **HK eIPO White Form** service through one of the
below ways⁽²⁾:

- (1) the **IPO App**, which can be downloaded by
searching “**IPO App**” in App Store or Google Play
or downloaded at www.hkeipo.hk/IPOApp or
www.tricorglobal.com/IPOApp
- (2) the designated website www.hkeipo.hk 11:30 a.m. on Monday, 2 November 2020

Application lists open⁽³⁾ 11:45 a.m. on Monday, 2 November 2020

Latest time to: (1) lodge **WHITE** and **YELLOW**
Application Forms; (2) complete payment of **HK eIPO**
White Form applications by effecting Internet banking
transfer(s) or PPS payment transfer(s); and (3) give
electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on
Monday, 2 November 2020

Application lists close⁽³⁾ 12:00 noon on
Monday, 2 November 2020

Expected Price Determination Date⁽⁵⁾ Monday, 2 November 2020

Announcement of the final Offer Price, the indication of
the level of interest in the International Offering, the
level of applications in the Hong Kong Public Offering
and the basis of allocation of the Hong Kong Offer
Shares to be published on our website
(www.cgiiholdings.com) and the Stock Exchange's
website (www.hkexnews.hk) on or before⁽⁹⁾ Monday, 9 November 2020

Results of allocations under the Hong Kong Public
Offering (with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels including our website
(www.cgiiholdings.com) and the Stock Exchange's
website (www.hkexnews.hk) (for further details, please
refer to the section headed “How to Apply for Hong
Kong Offer Shares — 11. Publication of results” in this
prospectus) from⁽⁹⁾ Monday, 9 November 2020

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available in the “IPO Results” function of the **IPO App** or at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) with a “search by ID” function⁽⁹⁾ Monday, 9 November 2020

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾ Monday, 9 November 2020

Despatch/Collection of Share certificates on or before⁽⁶⁾⁽⁷⁾⁽⁹⁾ Monday, 9 November 2020

Dealings in the Shares on the Stock Exchange expected to commence on⁽⁹⁾ 9:00 a.m. on Tuesday, 10 November 2020

There is a gap of seven business days between the commencement of the Hong Kong Public Offering on Wednesday, 28 October 2020 and the refund date of application monies of Monday, 9 November 2020. During this period, the application monies (including the brokerage, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 9 November 2020. Investors should be aware that dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, 10 November 2020.

Notes:

- (1) All times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 2 November 2020, the application lists will not open on that day. For details, please refer to the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by giving **Electronic Application Instructions** to HKSCC Via CCASS” in this prospectus for further details.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or around Monday, 2 November 2020. If, for any reason, the Offer Price is not agreed by Wednesday, 4 November 2020 between our Company and the Sole Representative (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
- (6) Share certificates for the Offer Shares are expected to be issued on or before Monday, 9 November 2020 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 10 November 2020 provided that: (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
- (7) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Shares certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 9 November 2020 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/collection of Share certificates and refund monies" in this prospectus.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.
- (9) In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Wednesday, 28 October 2020 to Tuesday, 10 November 2020, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

Please note that the totals set out in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We have been in operation since 2007, and we were the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019 according to the Frost & Sullivan Report. The Jing-Jin-Ji Region, comprising Beijing, Tianjin and Hebei Province, is the largest urbanised megalopolis region in North China and the leading regional market of industrial gas in China in terms of revenue. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. Apart from the iron and steel industry which represents the largest industrial gas consumption in the Jing-Jin-Ji Region in terms of revenue, petrochemical, other chemicals and electronics record large demands for industrial gas in the Jing-Jin-Ji Region. As such, the Jing-Jin-Ji Region represents significant potential opportunity for industrial gas suppliers to develop and grow. During the Track Record Period and up to the Latest Practicable Date, we mainly focused on the supply of pipeline industrial gas and liquefied industrial gas. We also operated a LNG-related business which included the supply of LNG and provision of gas transmission service relatively small-scale.

We are the exclusive pipeline industrial gas supplier for a few members of the HBIS Group, a leading iron and steel producer in the PRC. We have developed a strategic and mutually beneficial relationship with the HBIS Group. For more information relating to our relationship with the HBIS Group, please refer to the section headed “Business — Relationship with members of the HBIS Group” in this prospectus.

Our primary product is pipeline industrial gas, which is produced by our ASUs. Revenue generated from the supply of pipeline industrial gas accounted for approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. During the Track Record Period, all of our revenue generated from our supply of pipeline industrial gas was derived from sales to members of the HBIS Group.

We produce and supply liquefied industrial gas primarily to offsite independent end-user customers. The production process of liquefied industrial gas is almost identical to that of pipeline industrial gas except that it involves additional liquefaction processing. Accordingly, the production of pipeline industrial gas, as well as liquefied industrial gas, increases our overall revenue generation and enhances our overall operational efficiency by optimising the utilisation of our ASUs. Revenue generated from our supply of liquefied industrial gas accounted for approximately 23.1%, 25.3%, 19.6% and 17.0% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Our LNG-related business includes the supply of LNG and provision of gas transmission service. The supply of LNG refers to our production and sales of LNG products. The provision of gas transmission service refers to our COG pressurisation and transmission service. Revenue generated from our LNG-related business accounted for approximately 9.6%, 10.7%, 7.9% and 5.9% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

The following table sets out our revenue by product/service for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Supply of pipeline industrial gas	682,021	66.4%	719,401	62.8%	931,636	71.4%	495,548	72.2%	452,122	75.6%
Supply of liquefied industrial gas	237,649	23.1%	289,714	25.3%	255,196	19.6%	136,415	19.9%	101,687	17.0%
Supply of LNG and gas transmission service	98,557	9.6%	122,952	10.7%	103,599	7.9%	47,205	6.9%	35,395	5.9%
Others ⁽¹⁾	8,970	0.9%	13,511	1.2%	14,721	1.1%	7,541	1.0%	8,528	1.5%
Total	1,027,197	100.0%	1,145,578	100.0%	1,305,152	100.0%	686,709	100.0%	597,732	100.0%

Note:

(1) Others mainly included sales of CNG and LNG for vehicles and other special gases.

SUMMARY

RELATIONSHIP WITH THE HBIS GROUP

Industrial gas is an important raw material to the production of iron and steel. The HBIS Group, a leading iron and steel producer in the PRC, is a long-standing partner of ours. Ever since TTG was initially set up as a joint venture by HBIS Company and CGII in 2007, we have been exclusively supplying industrial gas to several members of the HBIS Group in Hebei Province. To the best knowledge of our Directors, the HBIS Group does not have any other external industrial gas supplier in Hebei province apart from us. However, the HBIS Group has its own internal industrial gas production facilities for meeting the demand of some of its own iron and steel production in Hebei Province.

The relationship between the iron and steel companies and industrial gas suppliers are generally considered to be mutual, complementary and inseparable. There has been a long and well established business relationship between the HBIS Group and us and the HBIS Group has also benefited from our stable and reliable supply of industrial gas products for its iron and steel production. Our customers within the HBIS Group have aligned interests with us and we consider them not only to be our customers but also our business partners. Furthermore, as most of our industrial gas production facilities were contributed by or acquired from members of the HBIS Group, and that most of our managerial and technical staff has experience working within the HBIS Group, we understand the production and product needs of the HBIS Group better than any other potential supplier. While our revenue is significantly generated from members of the HBIS Group, these customers also need our supply of industrial gas to maintain continuous and stable production. During the Track Record Period, a significant portion of our revenue was generated from the HBIS Group. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, sales to the HBIS Group (including HBIS and its subsidiaries only) accounted for approximately 79.2%, 73.4%, 83.6% and 88.1% of our total revenue, respectively, and sales to the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue for the same periods, respectively. For more information regarding our relationship with members of the HBIS Group, please refer to the section headed “Business — Our business — Relationship with members of the HBIS Group” in this prospectus.

We generally enter into long-term industrial gas supply contracts with our pipeline industrial gas customers which are members of the HBIS Group, namely HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and Tangshan Car Plate. The industrial gas supply contracts (except for the one with Tangshan Car Plate) provide for a monthly minimum purchase volume for each type of pipeline industrial gas products which our pipeline industrial gas customers are required to purchase from us throughout the term of the respective contracts. When the actual purchase volume is below the monthly minimum purchase volume, our pipeline industrial gas customers remain responsible for the fees calculated based on the monthly minimum purchase volume.

The table below sets out some information of our pipeline industrial gas customers and the duration of the corresponding industrial gas supply contracts.

	HBIS Tangshan Branch	Tangshan Stainless Steel	Tangshan Plate	Tangshan Car Plate	HBIS Laosteel
Background information of pipeline industrial gas customers	Branch of HBIS Company	Subsidiary of HBIS Tangsteel	Subsidiary of HBIS Company	Subsidiary of HBIS Tangsteel	Subsidiary of HBIS Company
Signing Date	March 2007	March 2007	January 2018 ⁽¹⁾	January 2019 ⁽²⁾	May 2018
Term of contract	30 years	30 years	15 years	Two years	15 years
Expiry Date	February 2037 ⁽³⁾	February 2037	May 2033	December 2020 ⁽⁴⁾	October 2035 ⁽⁵⁾

Notes:

- (1) We commenced supply of pipeline industrial gas to Tangshan Plate from January 2015 pursuant to an industrial gas supply contract with a term of 15 years. Pursuant to a contract entered into in June 2018, we supply pipeline industrial gas to Tangshan Plate for 15 years from June 2018, thereby extending the original contract term.
- (2) We commenced supply of pipeline industrial gas to Tangshan Car plate from January 2015 and the current effective contract with Tangshan Car Plate was signed in January 2019.
- (3) Most of the operations of HBIS Tangshan Branch have ceased since the end of August 2020. As a result, it was agreed that the minimum purchase volume under our long-term contract with HBIS Tangshan Branch would no longer be enforced since that time.
- (4) The industrial gas supply contract with Tangshan Car Plate will be automatically renewed upon expiry provided that both parties have no disagreements on the contractual terms thereunder. Our Directors confirm that the industrial gas supply contract with Tangshan Car Plate will be renewed based on our communication with Tangshan Car Plate.
- (5) It is expected that our supply of pipeline industrial gas to HBIS Laosteel will commence by the end of October 2020.

SUMMARY

In order to support the operation of their industrial gas suppliers with a view to maintaining a stable and continuous supply of industrial gas, it is not uncommon for iron and steel companies to provide utility supplies, such as electricity, water and steam, as well as land and plants to be used by those suppliers. During the Track Record Period, we procured electricity, together with primarily water, heating and steam, mainly from our pipeline industrial gas customers HBIS Tangshan Branch, Tangshan Stainless Steel and Tangshan Plate based on certain utility purchase contracts. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment.

The table below sets out certain information of our utility suppliers and the durations of the corresponding utility purchase contracts.

	HBIS Tangshan Branch	Tangshan Stainless Steel	Tangshan Plate	HBIS Laosteel
Signing Date	March 2007	March 2007	June 2018 ⁽¹⁾	15 years from
Term of contract ⁽²⁾	30 years	30 years	15 years	date of
Expiry Date	March 2037	March 2037	September 2033	commencement of operations of the Zhongqi Investment plant, or a date to be agreed by both parties ⁽³⁾

Notes:

- (1) The utility purchase contract of Tangshan Plate for its utility supply to us was entered into in November 2015 with a term of 15 years, which was subsequently substituted by a new contract entered into in June 2018 with a term of 15 years, thereby extending the original contract term.
- (2) Term of the utility purchase contracts began upon the commencement of actual supply of utilities.
- (3) Actual supply of utilities commenced in June 2020 to support the construction of the Zhongqi Investment plant.

OUR CUSTOMERS

Sales to our five largest customers (of which the HBIS Group (including HBIS and its subsidiaries only) was considered as one single customer) together accounted for approximately 83.7%, 80.1%, 87.8% and 91.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. For the same periods, sales to the HBIS Group (including HBIS and its subsidiaries only) which in aggregate was our largest customer accounted for approximately 79.2%, 73.4%, 83.6% and 88.1% of our total revenue, respectively, and sales to the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue for the same periods, respectively. HBIS, the holding company of the HBIS Group, is one of our Controlling Shareholders. For more information relating to our customers and five largest customers, please refer to the section headed “Business — Our business — Customers” in this prospectus.

Pipeline Industrial Gas Customers

During the Track Record Period and as at the Latest Practicable Date, we supplied pipeline industrial gas to members of the HBIS Group, namely HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and Tangshan Car Plate, all of which were iron and steel group companies using our industrial gas products as important raw materials during their ironmaking and steelmaking production processes. We consider our pipeline industrial gas customers as our on-site customers. We generally entered into long-term industrial gas supply contracts with these customers, the duration of which ranged between 15 and 30 years.

Liquefied Industrial Gas Customers

Customers of our liquefied industrial gas include Independent Third Parties which operate in a wide range of industries, including medical, shipping, engineering, photovoltaic, food and automotive. During the Track Record Period, our liquefied industrial gas was sold to traders and end-users. To a smaller extent, our liquefied industrial gas products were supplied to pipeline industrial gas customers as a back-up in the event that the supply of pipeline industrial gas could not fully satisfy their demand or where appropriate, on an ad hoc demand. We entered into liquefied gas supply contracts with customers other than certain members of the HBIS Group that had a stable and regular demand for liquefied gas products.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we had over 170, 180, 180 and 140 liquefied industrial gas customers who were Independent Third Parties, respectively. The number of Independent Third Party customers for our supply of liquefied industrial gas decreased from the year ended 31 December 2019 to the six months ended 30 June 2020, mainly due to an extended Lunar New Year public holiday and the impact of COVID-19 in March and

SUMMARY

April 2020. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from supply of liquefied industrial gas to independent customers was approximately RMB140.3 million, RMB225.8 million, RMB182.3 million and RMB64.2 million, representing approximately 13.7%, 19.7%, 14.0% and 10.7% respectively of our total revenue in the same periods.

LNG-Related Business Customers

During the Track Record Period, we had 56, 47, 19 and nil LNG customers for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, of which 52, 42, 15 and nil were Independent Third Parties, which were both traders and end-users operating in a wide range of industries such as energy and shipping. For the six months ended 30 June 2020, no revenue was generated from sales of LNG products. During the Track Record Period, HBIS Tangshan Branch was our sole customer in the provision of our gas transmission service.

Pricing

The selling prices of pipeline industrial gas products are jointly determined by our management and sales departments on the basis of a cost-plus method, which is in line with the general practice in the industry. According to the Frost & Sullivan Report, the prices of pipeline industrial gas projects are usually agreed between the operator of the plant and its customers before commencement of the projects. During the Track Record Period, our gross profit margin of supply of pipeline industrial gas ranged between 10% and 20%, which fell within the gross profit margin commonly seen in the industry, according to Frost & Sullivan.

The selling prices of our liquefied industrial gas products are jointly determined by our management and sales departments with reference to market prices. During the Track Record Period, market prices of liquefied industrial gas products experienced fluctuations. According to the Frost & Sullivan Report, in 2019, the average prices of liquefied oxygen, liquefied nitrogen and liquefied argon in the Jing-Jin-Ji Region were approximately RMB744 per tonne, RMB624 per tonne and RMB1,387 per tonne respectively, each of which was lower than those of 2018. In the first half of 2020, the average prices of liquefied oxygen, liquefied nitrogen and liquefied argon in the Jing-Jin-Ji Region were approximately RMB895 per tonne, RMB620 per tonne and RMB1,306 per tonne, respectively.

The selling price of our LNG product is jointly determined by our management and sales departments with reference to market rates. According to the Frost & Sullivan Report, the average market price of LNG in the Jing-Jin-Ji Region experienced fluctuations from 2014 to 2019 from time to time. With large quantity LNG imports, the market price of LNG decreased steadily from approximately RMB4,799 per tonne in 2014 to approximately RMB3,033 per tonne in 2016. Due to supply shortage of LNG since 2017, the market price of LNG increased to approximately RMB4,842 per tonne in 2019. In the first half of 2020, the market price of LNG decreased to approximately RMB3,777 per tonne. We charged HBIS Tangshan Branch for provision of gas transmission service at a rate negotiated and determined based on our transmission cost. We have a price adjustment arrangement in place with HBIS Tangshan Branch, which ensures our ability to recover the cost of LNG-related business.

Our Production Plants

During the Track Record Period, we had six production plants in operation, including (i) four industrial gas production plants; (ii) one carbon dioxide production plant; and (iii) one LNG production plant. In addition, we had one industrial gas production plant under development and one CNG and LNG gas station during the Track Record Period. Our production plants and CNG and LNG gas station are located in various locations in Tangshan, Hebei Province. Our industrial gas products include (i) oxygen, nitrogen and argon; and (ii) hydrogen and carbon dioxide in smaller amounts. For more information, please refer to the section headed “Business — Our business — Our production facilities” in this prospectus.

The following table sets out our revenue breakdown by production plant in operation and our CNG and LNG gas station for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June					
	2017		2018		2019		2019		2020			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%		%
TTG headquarters plant	403,740	39.3%	493,796	43.1%	501,429	38.4%	272,384	39.7%	210,301	35.2%		
TTG Ironmaking Branch plant	138,349	13.5%	141,156	12.3%	181,474	13.9%	101,252	14.7%	86,004	14.4%		
TTG Stainless Steel Branch plant	210,405	20.5%	201,443	17.6%	207,465	15.9%	103,795	15.1%	97,052	16.2%		
TTG Laoting Branch plant	165,356	16.1%	167,493	14.6%	285,553	21.9%	150,787	22.0%	153,420	25.7%		
Yutian plant	3,456	0.3%	6,549	0.6%	11,915	0.9%	4,374	0.6%	7,881	1.3%		
Luanxian plant	102,086	9.9%	128,703	11.2%	109,154	8.4%	49,750	7.3%	39,715	6.6%		
CNG and LNG gas station	3,805	0.4%	6,438	0.6%	8,162	0.6%	4,367	0.6%	3,359	0.6%		
Total	1,027,197	100.0%	1,145,578	100.0%	1,305,152	100.0%	686,709	100.0%	597,732	100.0%		

SUMMARY

Production plant under development

As at the Latest Practicable Date, we had one industrial gas production plant under development, namely the Zhongqi Investment plant, located in Laoting, Hebei Province. The development of the Zhongqi Investment plant is intended to be implemented in two phases. Phase I is underway and Phase II is yet to be finalised.

During Phase I, which is expected to be completed by the first quarter of 2021, two new ASUs have been procured and installed at the Zhongqi Investment plant. At the same time, one of the ASUs and ancillary equipment and machinery previously used at our TTG headquarters plant and certain ancillary equipment and machinery used at TTG Ironmaking Branch plant are being relocated to the Zhongqi Investment plant. It is expected that the designed production capacity of Zhongqi Investment plant will be 140,000 Nm³/hr of oxygen upon completion of Phase I and will increase to 200,000 Nm³/hr of oxygen upon completion of Phase II. We will use our best endeavours to ensure the ASUs and ancillary equipment and machinery are in place as soon as practicable so as to reduce our production capacity being negatively impacted. Our Directors expect that demand for our industrial gas products will increase in the long-term as a result of our expansion in Laoting. Pursuant to the cooperation agreement dated 10 May 2018 with HBIS Laosteel, we shall be the exclusive industrial gas supplier for HBIS Laosteel for 15 years from a date to be agreed by both parties. HBIS Laosteel is our new customer of Zhongqi Investment. Apart from HBIS Laosteel, we expect that the Zhongqi Investment plant will enable us to expand our customer base to include other iron and steel production plants that are located and/or relocated within or in close proximity of Laoting. Our Directors consider that it is feasible for us to supply pipeline industrial gas to potential customers located in or around Laoting other than HBIS Laosteel with the planned production capacity of Zhongqi Investment plant as long as our pipelines are constructed to connect them, which is also feasible. In addition, with our enhanced production capacity, we intend to capture the demand for supply of our liquefied industrial gas of these potential customers located in or in close proximity of Laoting.

OUR SUPPLIERS

The raw material used in our production process of our industrial gas products is primarily air, which we obtain at zero cost. During the Track Record Period, consumption of utilities was the largest component of our cost of revenues. During the Track Record Period, we procured electricity, together with primarily water, heating and steam, mainly from our pipeline industrial gas customers, including HBIS Tangshan Branch, Tangshan Stainless Steel and Tangshan Plate based on certain utility purchase contracts. We entered into long-term utility purchase contracts with a term of 15 or 30 years with them. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment. According to the Frost & Sullivan Report, it is an industry norm that the on-site customers provide utilities to their pipeline industrial gas supplier.

Purchase from our five largest suppliers (of which the HBIS Group (including HBIS and its subsidiaries only) is considered as one single supplier) together accounted for approximately 78.7%, 81.1%, 83.7% and 81.4%, respectively, of our total cost of revenues for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020. For the same periods, purchase from the HBIS Group (including HBIS and its subsidiaries only) which in aggregate was our largest supplier accounted for approximately 67.5%, 70.7%, 76.5% and 77.0% of our total cost of revenues, respectively, and purchase from the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 76.9%, 79.4%, 82.2% and 79.8% of our total cost of revenues for the same periods, respectively. HBIS, the holding company of the HBIS Group, is one of our Controlling Shareholders. For more information relating to our suppliers and five largest suppliers, please refer to the section headed “Business — Our business — Raw materials, utilities and suppliers” in this prospectus.

CONCENTRATION OF CUSTOMERS AND SUPPLIERS

We experienced concentration of our customers and suppliers during the Track Record Period and up to the Latest Practicable Date, primarily due to our relationship with members of the HBIS Group and our business model. Considering (i) that such concentration is common for industrial gas suppliers in the PRC which primarily engage in supply of pipeline industrial gas; (ii) our relationship with members of the HBIS Group; and (iii) the historical background of our establishment as well as our stability for the past 12 years, our Directors are of the view that our concentration of customers and suppliers would not impact on our suitability for Listing. For more information, please refer to the section headed “Business — Our business — Relationship with members of the HBIS Group” in this prospectus.

SUMMARY

OVERLAPPING SUPPLIERS AND CUSTOMERS

Our pipeline industrial gas customers are also our suppliers of utilities. The sharing of utility distribution networks with our on-site customers can save us the cost of establishing separate water pipeline and power cable networks. Setting up production plants in close proximity to the sites of our customers can also save delivery costs for customers as pipeline delivery is much cheaper than road tanker delivery in terms of large volume of constant gas supply. While our pipeline industrial gas customers contributed significantly to our revenue during the Track Record Period, our industrial gas products were essential as key raw materials for their iron and steel production and our pipeline industrial gas customers were incentivised to provide us with stable and reliable utility supply.

During the Track Record Period, we procured COG from Tangshan Meijin, one of our five largest suppliers, for our LNG-related business operation. During the same periods, we primarily sold liquefied nitrogen to Tangshan Meijin.

For more information regarding our revenue generated from our overlapping suppliers and customers, purchases from them and our gross profit thereunder, please refer to the section headed “Financial Information — Key factors affecting our results of operation — Our ability to maintain our business relationship with members of the HBIS Group” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe our achievements to date and potential for future growth can be attributed to the following competitive strengths:

- a market leader and the second largest industrial gas supplier in the Jing-Jin-Ji Region
- strategic relationship with the HBIS Group as its industrial gas supplier
- an efficient, established and proven business model for over 12 years
- favourable government initiatives and good government relationship leading to strong and sustainable support
- top quality management and industry experts from CGI and experienced engineering team from HBIS Company

For further details, please refer to the section headed “Business — Our competitive strengths” in this prospectus.

OUR STRATEGIES

Leveraging on our competitive strengths, we aim to further strengthen our position as a leading industrial gas supplier in the Jing-Jin-Ji Region and to tap into potential market opportunities. We plan to implement the following strategies to achieve our goals:

- continue to strengthen our industry-leading position in the Jing-Jin-Ji Region
- further diversify our industrial gas products portfolio and expand our target market through industry and customer diversification
- strategically expand our geographical coverage
- continue to attract, retain and promote talent

For details, please refer to the section headed “Business — Our strategies” in this prospectus.

RISK FACTORS

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. Some of the major risks that could materially and adversely affect our business, financial condition and results of operations include among others:

- our relationship with members of the HBIS Group is crucial to our business operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between members of the HBIS Group and us.
- our customers may prematurely terminate or default under our industrial gas supply contracts.
- our business operations and financial performance may be adversely affected if there is any change to the operation and/or business development plans of members of the HBIS Group who are our customers.
- we are subject to risk due to our expansion and relocation of equipment associated with the development of the Zhongqi Investment plant.
- we expect to incur substantial depreciation expenses relating to the construction of the Zhongqi Investment plant, which may materially and adversely affect our results of operations and financial condition.
- our business and results of operations may be subject to the changes in the market conditions of the iron and steel industry.

SUMMARY

You should read the entire section headed “Risk Factors” in this prospectus carefully before deciding to invest in the Offer Shares.

OUR COMPETITIVE LANDSCAPE

We were the second largest supplier of industrial gas in the Jing-Jin-Ji Region in terms of revenue in 2019 according to the Frost & Sullivan Report. The Jing-Jin-Ji Region comprises Beijing, Tianjin and Hebei Province and is the largest urbanised megalopolis region in North China. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. We distinguish ourselves from our competitors through our market leading position, strategic relationship with members of the HBIS Group, efficient, established and proven business model, strong government relationship and highly skilled personnel. We believe that we will continue to leverage these strengths which set us apart from our competitors. The industrial gas industry in China is relatively fragmented. According to the Frost & Sullivan Report, there are around 8,000 industrial gas suppliers in China in 2019, including self-supply and independent suppliers.

The LNG industry in China is relatively concentrated with the three largest national state-owned enterprises, which are China National Petroleum Corporation, Sinopec and China National Offshore Oil Corporation, accounting for around 50% of the market. According to Frost & Sullivan, there are around 30 LNG suppliers in the Jing-Jin-Ji Region’s LNG industry. In 2019, the market size of the Jing-Jin-Ji Region’s LNG industry was RMB13.8 billion and constituted 8.3% of the total market size of China’s LNG industry. The market share of our Group is estimated to be around 0.1% in the overall LNG industry in the Jing-Jin-Ji Region.

For further information regarding the competitive landscape, please refer to the section headed “Industry Overview” in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 39.01% by CGI and 35.99% by HK Huitang Zhihe.

HK Huitang Zhihe is wholly-owned by SH Huitang Zhihe, which is in turn wholly-owned by HBIS Company, a listed company on the Shenzhen Stock Exchange (Stock Code: 000709). HBIS, a wholly-owned subsidiary of Hebei Province SASAC, through its subsidiaries together indirectly held approximately 62.22% equity interest in HBIS Company. As such, for the purpose of the Listing Rules, each of HK Huitang Zhihe, SH Huitang Zhihe, HBIS Company and HBIS is our Controlling Shareholder.

CGI is owned as to (i) 80% indirectly through Huang He by China Infrastructure acting through its general partner CITP GP; and (ii) 20% by OxyChina, which is owned as to 70% by Mr. Chen, our executive Director and the Chairman and 10% by each of Mr. Bai, our chief financial controller, Mr. Hu and Mr. Zhou, who are Independent Third Parties. As such, for the purpose of the Listing Rules, each of CGI, Huang He, China Infrastructure, CITP GP, OxyChina and Mr. Chen is or considered to be our Controlling Shareholder.

We have entered into certain transactions with the HBIS Group which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. See the section headed “Continuing Connected Transactions” in this prospectus for details.

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set out a summary of our consolidated financial information for the years indicated and have been derived from our consolidated financial statements as set out in the Accountant’s Report included in Appendix I to this prospectus. The summary of our consolidated financial information should be read together with the consolidated financial statements in Appendix I to this prospectus, including the accompanying notes and the information set out in the section headed “Financial Information” in this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS.

SUMMARY

Selected Items of Consolidated Statements of Comprehensive Income

The following table shows selected items from our consolidated statements of comprehensive income for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenues	1,027,197	1,145,578	1,305,152	686,709	597,732
Cost of revenues	(859,297)	(926,830)	(1,022,922)	(521,279)	(457,205)
Gross profit	167,900	218,748	282,230	165,430	140,527
Profit before income tax	110,762	152,354	172,026	119,849	85,698
Profit for the year/period	79,991	119,833	133,838	91,645	64,725

The supply of industrial gas which includes pipeline and liquefied industrial gas is our core business. During the Track Record Period, a majority of our revenue was derived from the production, sales and transmission of pipeline industrial gas.

Our revenue decreased from approximately RMB686.7 million for the six months ended 30 June 2019 to approximately RMB597.7 million for the six months ended 30 June 2020, primarily attributable to (i) the decrease in revenue generated from our supply of pipeline industrial gas by approximately RMB43.4 million, due to the decrease in sales volume of oxygen and nitrogen by approximately 8.8% and 9.3%, respectively, resulting from the decrease in demand from HBIS Group as a result of the impact of COVID-19; and (ii) the decrease in revenue generated from our supply of liquefied industrial gas by approximately RMB34.7 million, due to the decrease in sales volume of liquefied oxygen and liquefied argon by approximately 36.7% and 17.6%, respectively, resulting from the decrease in orders from our liquefied industrial gas customers due to the impact of COVID-19 in March and April 2020.

Our revenue increased from approximately RMB1,145.6 million for the year ended 31 December 2018 to approximately RMB1,305.2 million for the year ended 31 December 2019, primarily attributable to the increase in revenue generated from our supply of pipeline industrial gas by approximately RMB212.2 million, due to the increase in sales volume of oxygen and nitrogen by approximately 30.2% and 34.3%, respectively. The increase in revenue was partly offset by a decrease in revenue generated from our supply of liquefied industrial gas of approximately RMB34.5 million mainly resulting from the decrease in the average selling price of liquefied oxygen by approximately 27.8% for the year despite an increase in its sale volume by approximately 13.4%.

Our revenue increased from approximately RMB1,027.2 million for the year ended 31 December 2017 to approximately RMB1,145.6 million for the year ended 31 December 2018, primarily attributable to (i) the increase in the revenue generated from our sales volume of pipeline industrial gas by approximately RMB37.4 million, due to the increase in our supply of oxygen by approximately 9.1% after the acquisition of two sets of ASU from a related party, namely Tangshan Plate in the fourth quarter of 2018 in respond to the increase in its demand; (ii) the increase in revenue generated from our supply of liquefied industrial gas by approximately RMB52.1 million, due to the increase in sales volume of oxygen by approximately 37.9% and the increase in its average selling price by approximately 26.5%; and (iii) a slight increase in revenue generated from our supply of LNG and provision of gas transmission service.

SUMMARY

The table below sets out our gross profit/(loss) and gross profit/(loss) margin by product/service for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Supply of pipeline industrial gas	76,855	11.3%	78,762	10.9%	150,193	16.1%	95,972	19.4%	83,119	18.4%
Supply of liquefied industrial gas	119,210	50.2%	138,220	47.7%	124,701	48.9%	71,464	52.4%	55,826	54.9%
Supply of LNG and gas transmission service	(29,845)	(30.3)%	(1,010)	(0.8)%	5,171	5.0%	(3,524)	(7.5)%	138	0.4%
Others ⁽¹⁾	1,680	18.7%	2,776	20.5%	2,165	14.7%	1,518	20.1%	1,444	16.9%
Total	167,900	16.3%	218,748	19.1%	282,230	21.6%	165,430	24.1%	140,527	23.5%

Note:

(1) Others mainly included sales of CNG and LNG for vehicles and other special gases.

Our gross profit decreased from approximately RMB165.4 million for the six months ended 30 June 2019 to approximately RMB140.5 million for the six months ended 30 June 2020. Our gross profit margin decreased from approximately 24.1% for the six months ended 30 June 2019 to approximately 23.5% for the six months ended 30 June 2020. The decrease in gross profit and gross profit margin was primarily attributable to the decrease in the gross profit of our supply of pipeline industrial gas and liquefied industrial gas by approximately RMB12.9 million and RMB15.6 million, respectively, resulting from the decrease in demand from our customers due to the impact of COVID-19 mainly during March and April 2020. Such impact was partially offset by the increase in average price of liquefied gas for the first half of 2020.

Our gross profit increased from approximately RMB218.7 million for the year ended 31 December 2018 to approximately RMB282.2 million for the year ended 31 December 2019. Our gross profit margin increased from approximately 19.1% for the year ended 31 December 2018 to approximately 21.6% for the year ended 31 December 2019. The increase in gross profit and gross profit margin was primarily attributable to an increase in the gross profit of our supply of pipeline industrial gas by approximately RMB71.4 million resulting from a decrease in per unit cost of our consumption of utilities by approximately 6.6% for the pipeline industrial gas products and an increase in our sales volume of pipeline industrial gas by approximately 32.3% attributable to (i) improved production efficiency (an increase in utilisation rates of most of our ASUs, of which an increasing number of ASUs with 90% or above utilisation rate achieved); and (ii) a decrease in the proportion of the Group's supply of pipeline oxygen (which requires higher consumption of utilities for production compared to the production of other pipeline gas products).

Our gross profit increased from approximately RMB167.9 million for the year ended 31 December 2017 to approximately RMB218.7 million for the year ended 31 December 2018. Our gross profit margin increased from approximately 16.3% for the year ended 31 December 2017 to approximately 19.1% for the year ended 31 December 2018. The increase in gross profit and gross profit margin was primarily attributable to the decrease in the gross loss recorded in supply of LNG and provision of gas transmission service by approximately RMB28.8 million, due to the increase in average selling price of LNG products and increase in unit price of our gas transmission service after the price adjustment with reference to the actual production costs incurred for the year.

For the years ended 31 December 2017 and 2018, the gross loss for supply of LNG and gas transmission service was approximately RMB29.8 million and RMB1.0 million, and the gross loss margin was approximately 30.3% and 0.8%, respectively. The gross loss primarily resulted from a reduced scale of our supply of LNG resulting from a reduced supply of COG to us. As the revenue generated from supply of LNG decreased while the cost of revenues (which mainly included depreciation and consumption of utilities) continued to be incurred, the profitability of supply of LNG was adversely impacted. For the year ended 31 December 2019 and the six months ended 30 June 2020, our gross profit for supply of LNG and gas transmission service was approximately RMB5.2 million and RMB0.1 million, and the gross profit margin was approximately 5.0% and 0.4%, resulting mainly from an increase in our gas transmission service rendered and the increase in unit price of our gas transmission service for the period.

SUMMARY

The table below sets out our revenue, gross profit and gross profit margin by customer for the periods indicated.

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue	Gross profit	Gross profit margin ⁽¹⁾	Revenue	Gross profit	Gross profit margin ⁽¹⁾	Revenue	Gross profit	Gross profit margin ⁽¹⁾	Revenue	Gross profit	Gross profit margin ⁽¹⁾	Revenue	Gross profit	Gross profit margin ⁽¹⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(unaudited)														
HBIS Group	818,672	136,255	16.6%	846,817	123,639	14.6%	1,096,745	207,922	19.0%	570,943	119,939	21.0%	529,116	104,549	19.8%
— Subsidiaries	813,906	134,766	16.6%	840,415	121,055	14.4%	1,090,924	205,134	18.8%	568,333	118,571	20.9%	526,323	103,016	19.6%
— Associates	4,766	1,489	31.2%	6,402	2,584	40.4%	5,821	2,788	47.9%	2,610	1,368	52.4%	2,793	1,533	54.9%
Independent Third Parties	208,525	31,645	15.2%	298,761	95,109	31.8%	208,407	74,308	35.7%	115,765	45,491	39.3%	68,616	35,978	52.4%
Total	1,027,197	167,900	16.3%	1,145,578	218,748	19.1%	1,305,152	282,230	21.6%	686,708	165,430	24.1%	597,732	140,527	23.5%

Note:

- (1) Save for the year ended 31 December 2017, the gross profit margin for the HBIS Group was lower than that for Independent Third Party customers during the Track Record Period as majority of the revenue from the HBIS Group was generated from the supply of pipeline industrial gas, which had a lower gross profit margin compared with the supply of liquefied industrial gas that was mostly sold to Independent Third Party customers during the Track Record Period. For the year ended 31 December 2017, the gross profit margin for the HBIS Group was slightly higher than that for Independent Third Party customers, mainly attributable to the gross loss incurred from the sales of LNG products which were mostly to Independent Third Party customers during the year resulting from the lack of supply of COG for the production of LNG products, partly offsetting the higher gross profit margin recorded from the supply of liquefied industrial gas products of the year.

Selected Items of Consolidated Balance Sheets

The following table sets out selected items from our consolidated balance sheets as at the dates indicated.

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Total current assets	400,104	632,318	614,938	753,006
Total current liabilities	434,310	659,857	597,440	541,876
Net current (liabilities)/assets	(34,206)	(27,539)	17,498	211,130
Total assets	1,573,045	1,936,977	2,052,539	2,231,769
Total liabilities	450,762	833,764	748,506	861,937
Net assets	1,122,283	1,103,213	1,304,033	1,369,832
Share capital	73	73	76	76
Other reserves	1,006,543	911,005	993,537	994,610
Retained earnings	115,667	192,135	310,420	375,146
Total equity	1,122,283	1,103,213	1,304,033	1,369,832
Total equity and liabilities	1,573,045	1,936,977	2,052,539	2,231,769

Our net assets decreased from approximately RMB1,122.3 million as at 31 December 2017 to approximately RMB1,103.2 million as at 31 December 2018, mainly attributable to (i) a decrease in other reserves of approximately RMB110.7 million due to the termination of a shareholder loan from CGI of approximately RMB66.7 million and the termination of Building Use Agreement with HBIS Company where right-of-use assets of approximately RMB44.0 million was written off; and (ii) the declaration of dividends for the year ended 31 December 2016 of approximately RMB29.8 million, of which approximately RMB14.9 million was paid in cash in September 2018, partly offset by the profit for the year ended 31 December 2018 of approximately RMB119.8 million.

As at 30 June 2020, our net current assets were approximately RMB211.1 million, consisting of current assets of approximately RMB753.0 million and current liabilities of approximately RMB541.9 million. Our net current assets increased by approximately RMB193.6 million, or 1,106.6%, from approximately RMB17.5 million as at 31 December 2019 to approximately RMB211.1 million as at 30 June 2020. The increase was primarily due to (i) an increase in cash and cash equivalents by approximately RMB219.2 million mainly resulting from an increase in bank borrowing during the period; (ii) a decrease in trade and other payables by approximately RMB64.6 million mainly resulting from faster settlement of our trade payables during the period, partly offset by (i) a decrease

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in prepayments, deposits and other receivables by approximately RMB53.3 million mainly due to the settlement of receivables due from Tangshan Meijin during the period; and (ii) a decrease in trade receivables by approximately RMB37.7 million resulting from the settlement of our customers during the period.

As at 31 December 2019, our net current assets were approximately RMB17.5 million, consisting of current assets of approximately RMB614.9 million and current liabilities of approximately RMB597.4 million.

Our net current liabilities of approximately RMB27.5 million as at 31 December 2018 were improved to net current assets of approximately RMB17.5 million as at 31 December 2019, primarily due to (i) a decrease in trade and other payables by approximately RMB84.4 million mainly resulting from the settlement of purchases and construction costs for the production plants and equipment in Zhongqi Investment before year end; (ii) an increase in prepayments, deposits and other receivables by approximately RMB60.3 million mainly resulting from the increase in VAT recoverable regarding the construction of production site of Zhongqi Investment plant during the year and the increase in receivables due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year; and (iii) an increase in trade receivables by approximately RMB45.6 million mainly resulting from the increase in our supply of pipeline industrial gas during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system; which was partly offset by (i) a decrease in cash and cash equivalents by approximately RMB67.0 million; (ii) a decrease in financial assets at fair value through other comprehensive income by approximately RMB56.0 million mainly resulting from the utilisation of notes receivables to settle the construction costs for the production plants and equipment in Zhongqi Investment plant; and (iii) an increase in borrowings (which were recognised as current liabilities) by approximately RMB20.0 million.

As at 31 December 2017 and 2018, we recorded net current liabilities in the amount of approximately RMB34.2 million and RMB27.5 million, respectively, primarily due to the balance of borrowings recorded which was one of the major components of our current liabilities. As at 31 December 2017 and 2018, our borrowings (which were recorded as current liabilities) were RMB250.0 million and RMB238.0 million, respectively. Our net current liabilities decreased from approximately RMB34.2 million as at 31 December 2017 to approximately RMB27.5 million as at 31 December 2018. The decrease was primarily due to (i) the increase in trade receivables by approximately RMB127.6 million mainly resulting from our business growth during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system; (ii) the increase in cash and cash equivalents by approximately RMB85.4 million, partly offset by the increase in trade and other payables by approximately RMB239.3 million mainly resulting from the increase in our production in 2018, which led to the increase in trade payables in relation to consumption of utilities.

Please refer to the section headed “Financial Information — Discussion of certain items of consolidated balance sheets — Current assets and liabilities” in this prospectus for further details.

Selected Items of Consolidated Statements of Cash Flows

The following table sets out a summary of our cash flows for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from operating activities	66,076	263,486	205,860	123,749	103,315
Net cash used in investing activities	(33,222)	(233,481)	(316,487)	(239,197)	(61,945)
Net cash generated from financing activities	48,904	55,242	42,539	66,226	177,083
Net increase/(decrease) in cash and cash equivalents	81,758	85,247	(68,088)	(49,222)	218,453
Effect of exchange rate changes	(25)	171	1,057	—	760
Cash and cash equivalents at the beginning of the year/period	39,670	121,403	206,821	206,821	139,790
Cash and cash equivalents at the end of the year/period	121,403	206,821	139,790	157,599	359,003

For the six months ended 30 June 2020, net cash generated from operating activities was approximately RMB103.3 million, which was mainly attributable to (i) the profit before tax of approximately RMB85.7 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB61.4 million; and (iii) an outflow of approximately RMB10.2 million for changes in working capital. Our general working capital changes mainly included (i) a decrease in trade and other payables of approximately RMB94.3 million, mainly

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resulting from faster settlement of our trade payables during the period; and (ii) an increase in financial assets at fair value through other comprehensive income of approximately RMB11.9 million resulting from the settlement of trade receivables of our customers by using bank acceptance bills during the period, which was partly offset by a decrease in prepayments, deposits and other receivables of approximately RMB56.1 million, mainly due to the settlement of receivables due from Tangshan Meijin during the period; and the decrease in trade receivables of approximately RMB37.7 million, resulting from the settlement of our customers during the period.

For the year ended 31 December 2019, net cash generated from operating activities was approximately RMB205.9 million, which was mainly attributable to (i) the profit before tax of approximately RMB172.0 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB118.9 million; and (iii) an outflow of approximately RMB42.2 million for changes in working capital.

Our general working capital changes mainly included (i) the increase in prepayments, deposits and other receivables of approximately RMB54.7 million mainly resulting from the increase in VAT recoverable regarding the construction of production site of Zhongqi Investment plant during the year and the increase in receivables due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year; and (ii) the increase in trade receivables of approximately RMB46.0 million mainly resulting from the increase in our supply of pipeline industrial gas during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system, which was partly offset by (i) the decrease in financial assets at fair value through other comprehensive income of approximately RMB56.0 million mainly resulting from the utilisation of notes receivables to settle the construction costs for the production plants and equipment for Zhongqi Investment plant; and (ii) the increase in trade and other payables of approximately RMB10.1 million mainly resulting from the increase in payables for professional service fee. Our net cash used in investing activities for the year ended 31 December 2019 was approximately RMB316.5 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets mainly for our development of the Zhongqi Investment plant.

For the year ended 31 December 2018, net cash generated from operating activities was approximately RMB263.5 million, which was attributable to (i) the profit before tax of approximately RMB152.4 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB102.8 million; and (iii) an inflow of approximately RMB45.6 million for changes in working capital. Our general working capital changes mainly included the increase in trade and other payables of approximately RMB189.5 million mainly resulting from the increase in our production in 2018, which led to the increase in our trade payables in relation to consumption of utilities and was partly offset by (i) the increase in trade receivables of approximately RMB127.8 million mainly resulting from the increase in our supply of industrial gas for the year; and (ii) the increase in prepayments, deposits and other receivables of approximately RMB20.9 million mainly resulting from the increase in receivable due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year. Our net cash used in investing activities for the year ended 31 December 2018 was approximately RMB233.5 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets mainly for our development of the Zhongqi Investment plant.

For the year ended 31 December 2017, net cash generated from operating activities was approximately RMB66.1 million, which was attributable to (i) the profit before tax of approximately RMB110.8 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB102.2 million; and (iii) an outflow of approximately RMB117.9 million for changes in working capital. Our general working capital changes mainly included (i) the increase in trade receivables of approximately RMB39.1 million mainly resulting from our business growth during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system; and (ii) the increase in financial assets at fair value through other comprehensive income of approximately RMB82.0 million mainly resulting from the increase in our notes receivables received from the members of HBIS Group in relation to the sales generated from them, and was partly offset by the decrease in prepayments, deposits and other receivables of approximately RMB9.9 million.

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KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at the dates and for the periods indicated.

	As at or for the year ended 31 December			As at or for the six months ended
	2017	2018	2019	30 June 2020
Current ratio	0.9	1.0	1.0	1.4
Quick ratio	0.9	0.9	1.0	1.4
Return on total assets	5.1%	6.2%	6.5%	N/A
Return on equity	7.1%	10.9%	10.3%	N/A
Gearing ratio ⁽¹⁾	22.9%	35.8%	29.4%	41.1%
Net debt to equity ratio	12.1%	17.0%	18.7%	14.9%
Net profit margin	7.8%	10.5%	10.3%	10.8%

Note:

- (1) Gearing ratio is calculated by dividing total debt (borrowings and lease liabilities) by total equity as at the end of the relevant year/period.

Please refer to the section headed “Financial Information — Key financial ratios” in this prospectus for further details on, including the calculations of, the key financial ratios.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$397.9 million (assuming an Offer Price of HK\$1.57 per Share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB350.2 million), after deducting the underwriting fees and commissions and estimated expenses paid and payable by us in relation to the Global Offering excluding any discretionary bonus, and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately HK\$364.5 million (equivalent to approximately RMB320.8 million), representing approximately 91.6% of the net proceeds from the Global Offering, will be used for procurement and relocation of ASUs for our development at the Zhongqi Investment plant. Apart from the funding from net proceeds from the Global Offering, we estimate that an additional amount of approximately RMB177.2 million will be required to fund such procurement and relocation. For more details, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” in this prospectus. We expect that the net proceeds allocated to this purpose will be fully utilised by the first half of 2022.

The table below sets out certain details regarding estimated additional capital expenditure and source of funding in terms of procurement and relocation of the ASUs in relation to the Zhongqi Investment plant.

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	Estimated additional capital expenditure for the year ending 31 December			Source of funding	
	2020	2021	2022	Proceeds from the Global Offering	Other resources ⁽¹⁾
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Phase I					
First ASU: payment for the remaining procurement and installation cost	64,990	—	—	64,990	—
Second ASU: payment for the remaining procurement and installation cost and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant	101,790	—	—	101,790	—
Third ASU: relocation and installation of a used ASU from our TTG headquarters plant	46,000	35,170	—	80,170	1,000
Phase II					
Fourth ASU: procurement and installation of a new ASU	—	—	250,030	73,826	176,204
Total	<u>212,780</u>	<u>35,170</u>	<u>250,030</u>	<u>320,776</u>	<u>177,204</u>

Note:

(1) Other resources include internal resources and bank borrowings.

- approximately HK\$33.4 million (equivalent to approximately RMB29.4 million), representing approximately 8.4% of the net proceeds from the Global Offering, will be used as working capital and other general corporate purposes.

We do not expect that our use of proceeds will change due to the impact of COVID-19. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$1.57, the total estimated listing related expenses payable by us in relation to the Global Offering are approximately RMB64.3 million (or approximately RMB49.8 million after excluding underwriting commission of approximately RMB14.5 million), representing approximately 15.5% of the gross proceeds from the Global Offering, assuming no exercise of the Over-allotment Option. For the year ended 31 December 2018 and the year ended 31 December 2019 and the six months ended 30 June 2020, we incurred listing expenses of approximately RMB2.8 million, RMB25.5 million and RMB13.0 million, respectively, out of which approximately RMB2.1 million, RMB19.9 million and RMB10.2 million were expensed for the respective year and approximately RMB0.7 million, RMB5.6 million and RMB2.8 million were recorded as deferred listing expenses for the respective period and will be capitalised upon completion of the Global Offering. We expect to further incur approximately RMB23.0 million of listing expenses after 30 June 2020 and upon completion of the Global Offering, of which approximately RMB6.9 million is expected to be expensed and the remaining RMB16.1 million is directly attributable to our issue of the Offer Shares and will be capitalised. These listing expenses mainly comprise professional fees paid and payable to the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, legal advisers and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering.

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STATISTICS OF THE GLOBAL OFFERING⁽¹⁾

Expected market capitalisation	HK\$1,644.0 million to HK\$2,124.0 million
Offer size ⁽²⁾	300,000,000 Offer Shares comprising (i) initially 30,000,000 Offer Shares (subject to reallocation) for subscription by the public in Hong Kong and (ii) an aggregate of 270,000,000 Offer Shares (subject to reallocation and the Over-allotment Option) offered under the International Offering
Offering structure	Initially 10% for the Hong Kong Public Offering (subject to reallocation) and 90% for the International Offering (subject to reallocation and the Over-allotment Option)
Offer Price range	HK\$1.37 to HK\$1.77
Board lot	2,000 Shares
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$1.61 to HK\$1.71 ⁽⁴⁾

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalisation is based on 300,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.
- (4) The unaudited pro forma net tangible assets per Share would be HK\$1.36 to HK\$1.45 had the dividend of approximately RMB267.7 million declared on 20 October 2020 and paid upon Listing been taken into account.

DIVIDEND AND DIVIDEND POLICY

On 3 August 2016, our Company declared a dividend and recorded a dividend payable of approximately RMB60.1 million to our Shareholders which was paid in cash by end of December 2016. On 8 August 2018, our Company declared a dividend for the year ended 31 December 2016 and recorded a dividend payable of approximately RMB29.8 million to our Shareholders, of which approximately RMB14.9 million was paid in cash in September 2018 and the remaining of RMB14.9 million will be settled before Listing. We declared a total dividend of approximately RMB267.7 million on 20 October 2020 which will be paid upon Listing and funded by cash and cash equivalent of approximately RMB299.5 million as at 31 August 2020. The unaudited pro forma net tangible assets per Share would substantially decrease had the dividend of approximately RMB267.7 million declared on 20 October 2020 and paid upon Listing been taken into account. For more information, please refer to the section headed “Financial Information — Unaudited pro forma statement of adjusted net tangible assets” and “Appendix II — Unaudited pro forma financial information” to this prospectus.

The amount of future dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board of Directors has the absolute discretion to recommend any dividend. Subject to the factors described above, the Article of Association of our Company and relevant applicable laws and regulations, our Board of Directors currently intend to recommend dividends of no less than 40% of our net profit available for distribution to our Shareholders in the foreseeable future.

Please refer to the section headed “Financial Information — Dividend and dividend policy” in this prospectus for further details.

PROPERTIES WITH DEFECTIVE TITLES

During the Track Record Period, all of our revenue was derived from operations conducted on properties with defective titles. We had obtained the land use right certificates for part of the Yutian plant, the Luanxian plant and the Zhongqi Investment plant as at the Latest Practicable Date. However, the remaining properties that we own and/or occupy and had title defects as at the Latest Practicable Date are set out as follows:

- TTG Yutian Branch did not hold the land use right certificates for part of Yutian plant, and failed to obtain the subsequent necessary construction permits or to submit the requisite completion and acceptance filing materials for the buildings and structures constructed on such properties;

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- we constructed certain buildings and structures on the parcels of leased land at the TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant, the TTG Laoting Branch plant and CNG and LNG gas station and failed to obtain necessary construction permits and did not submit the requisite completion and acceptance filing materials. Also, the lessors failed to obtain the construction land use planning permits (建設用地規劃許可證) for such leased land. We failed to complete the land lease registrations and obtain certificates of other rights over land (土地他項權利證明書) to be issued after completion of such registrations for our leased land. However, the lessors of the parcels of leased land at TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant, the TTG Laoting Branch plant and CNG and LNG gas station agreed to indemnify us for the losses incurred if we are unable to continue to use the leased land;
- Luanxian Tangsteel Gases had not obtained the necessary construction permits for the buildings and structures constructed at the Luanxian plant or to submit the requisite completion and acceptance filing materials; and
- we failed to complete house leasing registrations with respect to the leased buildings and structures for offices and production facilities at the TTG headquarters plant, the TTG Ironmaking Branch plant and office building for TTG Stainless Steel Branch plant.

As advised by our PRC Legal Advisers, our right as occupant of these properties may be adversely affected due to the absence of title documents, such as our rights to transfer or lease the land and buildings and/or subject the land use right and ownership of buildings and structures to mortgage loans. We may be required to return the affected land and vacate from the relevant buildings and structures and/or to dismantle the relevant buildings and structures. We may also be subject to administrative penalties. Pursuant to the relevant laws and regulations, a maximum fine of RMB6.5 million, RMB1.1 million and RMB3.1 million may be imposed on TTG, Tangsteel Dongxin Village and Luanxian Tangsteel Gases respectively, due to these title defects. Our Directors are of the view that the title defects will not cause a material adverse effect on us based on the overall assessment of the impact on our Group. In particular, on 18 June 2020, we obtained a written confirmation issued by Department of Natural Resources of Hebei Province (河北省自然資源廳), the competent provincial authority of Hebei Province as advised by our PRC Legal Advisers, which confirmed that our use of the owned and leased land had been in compliance with the planned purposes pursuant to the relevant PRC laws and regulations and we had the rights to continue occupying and using its owned and leased land. On the same date, we obtained a written confirmation issued by Department of Housing and Urban-Rural Development of Hebei Province (河北省住房和城鄉建設廳), the competent provincial authority of Hebei Province as advised by our PRC Legal Advisers, which confirmed that our use of the buildings and structures situated on the owned and leased land had been in compliance with the planned purposes pursuant to the relevant PRC laws and regulations and we had the rights to continue occupying and using these buildings and structures. As such, our production and business operation are unaffected by the properties with defective titles. For more information regarding defects to the titles of properties that we currently own or occupy, please refer to the section headed “Business — Our properties — Properties with defective titles” in this prospectus.

REGULATORY COMPLIANCE

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain various licenses and permits in order to commence and operate our business at each of our production facilities in the PRC. As at the Latest Practicable Date, Luanxian Tangsteel Gases had not yet successfully obtained certain licences, permits and approvals which were important to its LNG production, including amongst others (i) the renewal of the pollutant discharge permit after its expiry on 29 December 2017; (ii) the production safety license; and (iii) the production license of industrial products. As at the Latest Practicable Date, Zhongqi Investment had not obtained the fire design approval before commencement of construction.

As advised by our PRC Legal Advisers, there may be legal implications, and we may be ordered to suspend construction, production or operation, where applicable and depending on the circumstances, to discontinue using the construction. Pursuant to the relevant laws and regulations, a maximum fine of approximately RMB2.4 million and RMB0.3 million may be imposed on Luanxian Tangsteel Gases and Zhongqi Investment, respectively, as a result of the non-compliances. For more information, please refer to the section headed “Business — Regulatory Compliance” in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We expect that our revenue for the year ending 31 December 2020 will decrease due to the impact of COVID-19 and our partial cessation of productions and relocations resulting from the recent developments of HBIS Tangshan Branch which are further elaborated below and the development of

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the Zhongqi Investment plant. Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model remained unchanged and our revenue segment and cost structure remained stable, except for progress at the Zhongqi Investment plant, our production plant under development, and associated expansion and relocation. For further details relating to the latest status of the Zhongqi Investment plant, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” in this prospectus. Subsequent to the Track Record Period, supply of pipeline industrial gas and supply of liquefied industrial gas remained our key business segments and our major revenue generators.

Recent developments of HBIS Tangshan Branch

On 19 August 2020, HBIS Company entered into an agreement (the “**Exit and Relocation Agreement**”) in relation to its exit and relocation plan with the People’s Government of Tangshan. Pursuant to the Exit and Relocation Agreement, HBIS Tangshan Branch would cease its iron and steel productions at the Lubei District and Kaiping District (i.e., the production sites that had been served by our TTG headquarters plant and TTG Ironmaking Branch plant in term of supply of industrial gas, except for a cold rolling mill which would still be served by us) (the “**Terminated Production Facilities**”) before the end of August 2020. At the same time, HBIS Laosteel which had been acquired by HBIS Company in April 2020 would gradually commence its productions at a newly constructed production plant (“**HBIS Tangsteel New District**”) located in Laoting County, Tangshan City in September 2020. On 2 September 2020, HBIS Company announced that the operation of the Terminated Production Facilities had completely ceased. On 7 September 2020, HBIS Laosteel ignited its No. 1 furnace which was the preamble for the commencement of the trial production of iron and steel products, which was expected to commence by the end of October 2020.

Being the exclusive industrial gas supplier to HBIS Laosteel in the HBIS Tangsteel New District, our Group reacted to and made proper and timely preparations and arrangements during the transition period in September 2020 to ensure our Group could smoothly and promptly relocate seamlessly in order to continuously support the production of iron and steel at the HBIS Tangsteel New District. The Zhongqi Investment plant is required to and can only commence its production and supply industrial gas if the HBIS Tangsteel New District is ready for production.

As a result of the implementation of the Exit and Relocation Agreement, one of the ASUs at our TTG headquarters plant which served HBIS Tangshan Branch ceased to operate and the TTG Ironmaking Branch plant which also supported HBIS Tangshan Branch ceased all of its productions from the end of August 2020 following the cessation of the relevant productions of HBIS Tangshan Branch. Our operation at the TTG headquarters plant to the extent relevant to the cold rolling mill in HBIS Tangshan Branch and Tangshan Car Plate remains unchanged. The ASU no longer in use and one of the air compressors supporting such ASU at the TTG headquarters plant and an air compressor used at the TTG Ironmaking Branch plant are being relocated to the Zhongqi Investment plant as follows:

- the relocation of the ASU (KDONAr-40000/40000/1360) of our TTG headquarters plant is expected to take place during the fourth quarter of 2020. For the cost of relocation and installment of the ASU, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus;
- the relocation of the air compressor of our TTG headquarters plant has commenced in September 2020 and will take approximately two months to complete. The estimated relocation cost is approximately RMB1.5 million based on the best estimate assessed by our management team in light of prior similar experience; and
- the relocation of the air compressor of our TTG Ironmaking Branch plant has commenced in September 2020 and will take approximately one month to complete. The estimated relocation cost is approximately RMB1.5 million based on the best estimate assessed by our management team in light of prior similar experience.

Both relocated air compressors will support the ASU (KDONAr-40000/80000/1400) which is expected to operate by and around November/December 2020. For the remaining equipment and machinery which is affected due to our cessation of production at our TTG headquarters plant and TTG Ironmaking Branch plant, we are in the process of making appropriate arrangements such as relocating them to our production facilities in operation other than the Zhongqi Investment plant.

HBIS Laosteel would become a new customer of the Zhongqi Investment plant. It has a larger designed production capacity than HBIS Tangshan Branch. It is expected that our decreased production at TTG headquarters and TTG Ironmaking Branch will be gradually compensated and further expand following the commencement of operation of the Zhongqi Investment plant starting from the end of October 2020.

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The table below sets out the timetable of the contemplated movements of the designed production capacity of the ASUs of the Zhongqi Investment plant, TTG headquarters plant and TTG Ironmaking Branch plant by 2022, respectively, which is provided to the best estimate of our Directors based on the currently available information.

Estimated timeline for commencement of operation	Zhongqi Investment plant	TTG headquarters plant	TTG Ironmaking Branch plant
Phase I			
October 2020	Increase by 60,000 Nm ³ /hr of oxygen	Decrease by 40,000 Nm ³ /hr of oxygen	Decrease by 33,000 Nm ³ /hr of oxygen
November/December 2020	Increase by 40,000 Nm ³ /hr of oxygen	N/A	N/A
First quarter of 2021	Increase by 40,000 Nm ³ /hr of oxygen	N/A	N/A
Phase II			
First half of 2022	Increase by 60,000 Nm ³ /hr of oxygen	N/A	N/A
Total	Increase by 200,000 Nm³/hr of oxygen	Decrease by 40,000 Nm³/hr of oxygen	Decrease by 33,000 Nm³/hr of oxygen
Net impact	Increase by 127,000 Nm³/hr of oxygen		

Our forecasted sale volume of our major pipeline industrial gas, namely oxygen and nitrogen, for the year ending 31 December 2020 will decrease by approximately 8.1% and 11.4%, respectively as compared to the same for the year ended 31 December 2019, assuming that other factors affecting our business operations and financial results remain unchanged. We expect that the production volume of the Zhongqi Investment plant will gradually increase to a comparable level of the ceased productions of the TTG headquarters plant and the TTG Ironmaking Branch plant by first quarter of 2021.

For further details relating to our partial cessation of productions and relocations to the Zhongqi Investment plant, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” in this prospectus.

Impact of COVID-19

On 30 January 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern (PHEIC) and subsequently formally declared the COVID-19 outbreak a pandemic on 11 March 2020. This strain of coronavirus was considered highly contagious and posed a serious public health threat. As at the Latest Practicable Date, COVID-19 had infected over 40.0 million people globally and caused more than 1.0 million deaths.

The PRC Government announced a number of measures in January 2020 with a view to containing the COVID-19 outbreak, such as locking down major cities, imposing travel restrictions across cities and provinces, extension of the Lunar New Year public holiday and postponing the resumption of production in a wide spectrum of industries.

As at the Latest Practicable Date, as far as we were aware, none of our employees had been reported as “confirmed cases” or had failed to report to duty except for flexible working arrangements for certain employees when appropriate depending on job nature. In response to the COVID-19 pandemic, we have adopted enhanced hygiene and precautionary measures to prevent infection and transmission of COVID-19 within our production plants and offices and among our staff, including:

- distribution of disposable masks, gloves, sanitizing products, and if necessary, uniforms among our employees and requiring our staff to be fully equipped with all preventive clothing and accessories on a daily basis;
- cleaning and disinfection of commonly used areas within our production facilities and offices with increased frequency;
- providing flexible working arrangement for our employees on an as-needed basis;

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- encouraging our employees to closely monitor their health and well-being;
- mandatory infrared contactless body temperature measurement for all our employees each time they enter or leave the working premises;
- requiring our employees to refrain from gathering within the work place; and
- imposing self-quarantine requirements on employees who had travel history to areas of high risks within 14 days.

With the preventive measures taken in the PRC, the number of daily confirmed cases has decreased significantly in the PRC. However, the spread of COVID-19 in other countries and regions, such as the United States, Italy, Spain and France, has taken a different path, and subsequently, there has been an increased number of imported cases reported in the PRC following this wave of outbreak overseas. As the spread of COVID-19 has been largely contained in the PRC starting from late March and early April 2020, business activities in the PRC have resumed operations where possible. The situation of the COVID-19 pandemic is constantly changing and it remains uncertain when it will end. The COVID-19 pandemic has, and will continue to adversely impact PRC's economy and may cause a global economy recession.

We and our major customers from the HBIS Group have not received any notice on suspension of production from any government authorities as a result of COVID-19. As advised by our PRC Legal Advisers, the Department of Industry and Information Technology of Hebei Province (河北省工業和信息化廳) which is the competent authority in charge of industrial production activities in Hebei Province including the iron and steel and related industry, had not published any government notices requiring production suspension for the iron and steel and related industries based on an enquiry with it. Based on the enquiry with the Tangshan City COVID-19 Prevention and Control Leading Team Office (唐山市新冠肺炎疫情防控領導小組辦公室), enterprises were not required to suspend production if such enterprises had not received any notice on production suspension. Our Directors confirm that we have not received any production suspension notice from any government authority since the outbreak of COVID-19. Therefore, there has been no production suspension at our production facilities. Even though our production and business operation have not experienced suspension due to COVID-19, our business operation and financial performance have been affected as follows:

- our supply of pipeline industrial gas decreased during the six months ended 30 June 2020 due to a decreased demand from our pipeline industrial gas customers. To the best knowledge of our Directors, even though our pipeline industrial gas customers which were members of the HBIS Group did not experience production suspension due to COVID-19, HBIS Tangshan Branch and Tangshan Stainless Steel reduced their production volumes as a result of a decrease in demand for iron and steel in the market. HBIS Tangshan Branch and Tangshan Stainless Steel have recorded an upward trend in their production volumes since April 2020. Accordingly, certain of our ASUs at the TTG Ironmaking Branch plant, TTG Stainless Steel Branch plant and TTG headquarters plant recorded lower utilisation during the first quarter of 2020. Since April 2020, their utilisation has started to gradually resume;
- our supply of liquefied industrial gas decreased during the six months ended 30 June 2020 due to a decreased demand from our liquefied industrial gas customers;
- the development progress at the Zhongqi Investment plant slowed down and was delayed for approximately three months due to our contractor's temporary shortage of labour;
- the local authorities' delay in processing our applications for certain licenses, permits and approvals due to their diverted attention to the pandemic; and
- an increase in costs as a result of our adoption of enhanced hygiene and precautionary measures.

As a result, our revenue decreased for the six months ended 30 June 2020 as compared with the same period in 2019. We estimate that the additional costs for implementing our enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, will be approximately RMB0.1 million for the year ending 31 December 2020. Our Directors confirm that the additional costs associated with the enhanced measures will have insignificant impact on our Group's financial position for the year ending 31 December 2020. Please refer to the section headed "Risk Factors — Our business operation may be adversely affected by natural disasters, health epidemics and other outbreaks" in this prospectus.

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For illustrative purposes, after taking into account the impact of COVID-19 and the implementation of the control measures by the relevant authorities in the PRC, and assuming the worst case scenario where our business operation is suspended completely, we estimate that our existing cash and cash equivalents of approximately RMB299.5 million as at 31 August 2020 is sufficient for us to satisfy our necessary costs for at least 16 months.

Our key assumptions applied to such a scenario are: (i) no income being generated; (ii) no production costs being incurred; (iii) our development plan for Zhongqi Investment plant being suspended; (iv) rental payments and employee benefit expenses being paid monthly; (v) finance costs and repayment of our existing borrowings being paid according to the respective loan agreements; (vi) our receivables and payables as at 31 August 2020 being settled according to their payment terms (the settlement of our trade receivables is based on the average trade receivables turnover days of 78 days, being the longest average trade receivables turnover days during the Track Record Period); (vii) there being no further internal or external financing from Shareholders or financial institutions; and (viii) no dividend being declared and paid subsequent to 31 August 2020 under such situation.

Based on the above assumptions, to the best estimate of our Directors, the minimal operation costs in such situation would be approximately RMB5.2 million per month (consisting of employee benefit expenses of approximately RMB4.5 million and rental payments of approximately RMB0.7 million) and our finance costs and repayment of our existing borrowings of approximately RMB153.6 million for the four months between September and December 2020 and approximately RMB189.2 million for the year ending December 2021.

In addition, assuming that we receive IPO proceeds designated for working capital and other general corporate purposes from the Global Offering based on the low-end of the Offer Price range and that we encounter the worst case scenario with the above assumptions, we estimate that we will continue to be financially viable for at least 16 months from September 2020.

The entire industry sector in China decreased in the first two months in 2020 due to COVID-19. According to the Frost & Sullivan Report, the industrial value-added of industry which is commonly known as an indicator of the GDP of the industry sector as a whole (as compared with the agriculture and services sectors) decreased by 13.5% compared with the same period in 2019. Since March 2020, the industry sector started to recover after the end of extended Lunar New Year holiday and the gradual control of the COVID-19 pandemic. While the value-added of industry in March 2020 was 1.1% less than that of 2019, it increased by 33.0% compared with that of February 2020 mainly due to the gradual resumption of work in the industry sector after the outbreak of COVID-19. In April 2020, the value-added of industry was 3.9% higher than that of April 2019 and 2.3% higher than that of March 2020. In June 2020, the value-added of industry was 2.0% higher than that of April 2020 and 1.3% higher than that of May 2020. In September 2020, the value-added of industry was 6.9% higher than that of September 2019 and 1.2% higher than that of August 2020.

In line with the recovery of industry sector in which both most of our customers and us operate, Frost & Sullivan has confirmed that demand for industrial gas in the Jing-Jin-Ji Region has gradually recovered following the phase by phase resumption of operation in the downstream industries including among other iron and steel industry and chemicals industry since March 2020:

- in the first two months in 2020, the industrial value-added of iron and steel industry (the largest downstream industry of industrial gas) which is commonly known as an indicator of the GDP of the iron and steel industry decreased by 2.0% compared with the same period in 2019. The industrial value-added of iron and steel industry in March 2020 was 4.1% higher than that of 2019 and increased by 34.0% compared with that of February 2020. In April 2020, the industrial value-added of iron and steel industry was 4.6% higher than that of April 2019 and 2.7% higher than that of March 2020. In March and April 2020, the industrial value-added of iron and steel industry increased by approximately 24.5% and 4.4% compared with that of the first two months in 2020 and same period in 2019, respectively. In June 2020, the industrial value-added of iron and steel industry was 6.3% higher than that of June 2019. The industrial value-added of iron and steel industry in the first half of 2020 was 3.4% higher than that of the same period of 2019. The industrial value-added of iron and steel industry in September 2020 was 9.0% higher than that of September 2019. The industrial value-added of iron and steel industry for the nine months ended 30 September 2020 was 5.3% higher than that of the same period in 2019;
- in the first two months in 2020, the industrial value-added of chemical products manufacturing industry which is commonly known as an indicator of the GDP of the chemical products manufacturing industry decreased by approximately 12.3% compared with the same period in 2019. The industrial value-added of chemical products manufacturing industry in March 2020 was 0.7% higher than that of 2019 and it increased by 20.0% compared with that of February 2020. In April 2020, the industrial value-added

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of chemical products manufacturing industry was 3.2% higher than that of April 2019 and 1.9% higher than that of March 2020. In March and April 2020, the industrial value-added of chemical products manufacturing industry increased by approximately 15.0% and 1.9% compared with that of the first two months in 2020 and same period in 2019, respectively. In June 2020, the industrial value-added of chemical products manufacturing industry was 4.0% higher than that of June 2019. In September 2020, the industrial value-added of chemical products manufacturing industry was 7.5% higher than that of September 2019.

In terms of revenue, the total market size of industrial gas in the Jing-Jin-Ji Region decreased by 2.8% in the first two months in 2020 compared with that in the same period in 2019. In March and April 2020, the market size of industrial gas in the Jing-Jin-Ji Region increased by 1.8% and 4.2% in terms of revenue compared with that of March and April 2019, respectively. The revenue of industrial gas of March and April 2020 in the Jing-Jin-Ji Region increased by 23.7% compared with the first two months in 2020. The market size of industrial gas in the Jing-Jin-Ji Region continued to grow in May and June 2020. The market size in the first half of 2020 increased by 2.6% compared with the same period in 2019. The market size of industrial gas in the Jing-Jin-Ji Region for the eight months ended 31 August 2020 increased by 6.2% compared with the same period in 2019.

Our Directors are of the view that COVID-19 is unlikely to result in any material adverse impact on our production, business operation and financial performance in the long run, based on the following: (i) our sensitivity analysis above; (ii) gradual recovery of the industrial gas industry and its downstream industries following the gradual control of the COVID-19 pandemic; (iii) as the raw material used in our production process of our industrial gas products is air, our production of industrial gas does not rely on the supply of raw materials from third parties; (iv) to the best knowledge of our Directors, except for the reduced production known to us and the Exit and Relocation Agreement, there has been no material change to the major business operations and development plans of the HBIS Group, our largest customer during the Track Record Period, which may result in a significant decrease in the demand of our industrial gas products due to COVID-19 in the long run; (v) supply of utilities necessary for our production is unlikely to be affected by COVID-19; (vi) none of our pipeline industrial gas and liquefied industrial gas customers who had placed orders with us before the COVID-19 outbreak have cancelled their orders as a result of the impact of COVID-19 and we have been able to perform our contracts with our pipeline industrial gas and liquefied industrial gas customers; (vii) our supply of industrial gas is expected to expand gradually following the commencement of operation of HBIS Laosteel and our total production capacity is expected to increase by 127,000 Nm³/hr of oxygen upon the completion of both Phase I and II of the Zhongqi Investment plant (Please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” for more details); (viii) our gas transmission service remains as usual; (ix) the PRC Government has supported the resumption of work by phases throughout the nation including Hebei Province; and there has been only a few cases reported in China subsequent to 30 June 2020 and there has been no sign of another wave of outbreak in China; (x) we have adopted enhanced hygiene and precautionary measures to prevent infection and transmission of COVID-19 within our production plants, offices and among our staff; and we have sufficient manpower to maintain our operations because as at the Latest Practicable Date, as far as our Directors were aware, none of our employees has been reported as “confirmed cases” or failed to report to duty except for flexible working arrangements for certain employees when appropriate depending on job nature; (xi) we and our major customers from the HBIS Group have not received any notice on suspension of production from any government authorities due to the impact of COVID-19; and (xii) there has not been production suspension at our production facilities save for the impact due to the Exit and Relocation Agreement and we are in the process of resuming our production to a normal level.

We do not expect that our use of proceeds will change to purposes other than our planned development of the Zhongqi Investment plant due to the impact of COVID-19.

Save for the impact of COVID-19, the Exit and Relocation Agreement and development of our Zhongqi Investment plant, our Directors confirm that from 30 June 2020 and up to the date of this prospectus, (i) there has been no material adverse change in the market conditions or the industry and regulatory environment in which we operate that could materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the operation or financial position or prospects of our Group; and (iii) no event has occurred that would materially and adversely affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

Our Directors expect that our revenue for the year ending 31 December 2020 will decrease due to the impact of COVID-19, our partial cessation of productions and relocation resulting from the Exit and Relocation Agreement and the development of our Zhongqi Investment plant. Our Directors also expect that our forecasted net profit for the year ending 31 December 2020 is expected to decrease as compared to the net profit for the year ended 31 December 2019 mainly attributable to (i) the

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decrease in our revenue generated from the sales of industrial gas products during the six months ended 30 June 2020 mainly due to an extended Lunar New Year public holiday and the impact of COVID-19; (ii) the impact due to cessation of part of our production at the TTG headquarters plant and the production cessation of our TTG Ironmaking Branch plant since end of August; and (iii) the listing expenses incurred for the year ending 31 December 2020, partly offset by the ramp-up of our production at the Zhongqi Investment plant during the fourth quarter of 2020.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 17 June 2020 which will become effective upon Listing, a summary of which is contained in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “our Board”	the board of Directors
“Building Use Agreement”	the agreement entered into by HBIS Company and TTG on 30 July 2007, pursuant to which HBIS Company granted the right to use the Buildings to TTG free of charge
“Buildings”	including houses, structures, fixtures and ancillary facilities on two pieces of land situated in Yinhe Road East, HBIS Tangsteel Ironmaking New Zone, Zhengzhuangzi County, Kaiping District, Tangshan, Hebei Province (河北省唐山市開平區鄭莊子鄉唐鋼煉鐵新區銀河路東側) and Binhe Road East, Lubei District, Tangshan, Hebei Province (河北省唐山市路北區濱河路東側), respectively, as specified in the Building Use Agreement
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of our Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further information about our Group — 4. Written resolutions of our then Shareholders” in Appendix IV to this prospectus
“Cayman Islands Companies Law” or the “Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CGI”	China Gas Investors Ltd., a company incorporated under the laws of Cayman Islands with limited liability on 6 September 2006, which is owned as to 80% by Huang He and 20% by OxyChina, and one of our Controlling Shareholders
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China Infrastructure”	China Infrastructure Partners, L.P., an exempted limited partnership registered under the laws of Cayman Islands on 30 April 2010, the sole shareholder of Huang He and one of our Controlling Shareholders
“CITP GP”	CITP GP I Ltd., a company incorporated under the laws of Cayman Islands with limited liability on 27 October 2008, the sole general partner of China Infrastructure and one of our Controlling Shareholders
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “CGII”	CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD., a company incorporated under the laws of Cayman Islands with limited liability on 4 August 2006 and the holding company of our Group upon completion of the Reorganisation and the proposed vehicle of Listing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely, HK Huitang Zhihe, SH Huitang Zhihe, HBIS Company, HBIS, CGI, Huang He, China Infrastructure, CITP GP, OxyChina and Mr. Chen
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 enacted on 16 March 2007, effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018 by the National People’s Congress
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan International Limited, a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan commissioned by us and independently
“Global Offering”	the Hong Kong Public Offering and the International Offering

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“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HBIS”	HBIS Group Co., Ltd. (河鋼集團有限公司), a joint stock limited company established under the laws of the PRC with limited liability on 24 June 2008, a wholly-owned subsidiary of Hebei Province SASAC and one of our Controlling Shareholders
“HBIS Chengsteel”	Chengde Iron and Steel Group Co., Ltd. (承德鋼鐵集團有限公司), a company established under the laws of the PRC with limited liability on 1 July 1980, and a wholly-owned subsidiary of HBIS
“HBIS Company”	HBIS Company Limited (河鋼股份有限公司), a joint stock limited company established under the laws of the PRC on 18 January 1997 and listed on the Shenzhen Stock Exchange (stock code: 000709), formerly known as Tangshan Steel Company Limited (唐山鋼鐵股份有限公司) and Hebei Iron and Steel Company Limited (河北鋼鐵股份有限公司), a subsidiary of HBIS, and one of our Controlling Shareholders
“HBIS Group”	HBIS and its subsidiaries and their respective associates, but excluding our Group
“HBIS Hansteel”	Handan Iron and Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司), a company established under the laws of the PRC with limited liability on 28 December 1995, and a wholly-owned subsidiary of HBIS
“HBIS Laosteel”	HBIS Laoting Iron and Steel Co., Ltd. (河鋼樂亭鋼鐵有限公司), a company established under the laws of the PRC with limited liability on 13 April 2017 and currently a wholly-owned subsidiary of HBIS Company
“HBIS Tangshan Branch”	a branch company of HBIS Company (河鋼股份有限公司唐山分公司) established in the PRC on 5 January 2010
“HBIS Tangsteel”	Tangshan Iron and Steel Group Co., Ltd. (唐山鋼鐵集團有限責任公司), a company established under the laws of the PRC with limited liability on 28 December 1995 and a subsidiary of HBIS

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“HBIS Xuansteel”	Xuanhua Iron and Steel Group Co., Ltd. (宣化鋼鐵集團有限公司), a company established under the laws of the PRC with limited liability on 30 December 1996 and a subsidiary of HBIS
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HK Huitang Zhihe”	Huitang Zhihe (Hong Kong) Co., Limited (惠唐鄧和(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 26 November 2019, and a wholly-owned subsidiary of SH Huitang Zhihe and one of our Controlling Shareholders
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“Hebei Province SASAC”	State-owned Assets Supervision and Administration Commission of The People’s Government of Hebei Province (河北省人民政府國有資產監督管理委員會)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“ HK eIPO White Form ”	the application of Hong Kong Offer Shares for issue in the applicant’s own name by submitting applications online through the IPO App or the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified in the IPO App and on the designated website at www.hkeipo.hk
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 30,000,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited

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“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering, whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 27 October 2020 relating to the Hong Kong Public Offering entered into by our Company, Mr. Chen, the Sole Sponsor, the Sole Representative and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“Huang He”	Huang He Investment Limited, a company incorporated under the laws of Cayman Islands with limited liability on 14 December 2010 and wholly-owned by China Infrastructure, and one of our Controlling Shareholders
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 270,000,000 Shares being initially offered for subscription under the International Offering together with any additional Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering, whose names are set out in the section headed “Underwriting — International Underwriters” in this prospectus

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“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into by our Company, Mr. Chen, the Sole Sponsor, the Sole Representative and the International Underwriters on or around the Price Determination Date, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The International Offering” in this prospectus
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Jing-Jin-Ji Region”	the national capital region of China and the biggest urbanised region in Northern China which includes an economic region surrounding Beijing (Jing), Tianjin (Jin) and Hebei Province (Ji)
“Joint Bookrunners”	China Everbright Securities (HK) Limited, AMTD Global Markets Limited, Zhongtai International Securities Limited, ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited, China Industrial Securities International Capital Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Soochow Securities International Brokerage Limited and Sunfund Securities Limited
“Joint Global Coordinators”	China Everbright Securities (HK) Limited, AMTD Global Markets Limited and Zhongtai International Securities Limited
“Joint Lead Managers”	China Everbright Securities (HK) Limited, AMTD Global Markets Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited, BOCI Asia Limited, CCB International Capital Limited, China Industrial Securities International Capital Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Soochow Securities International Brokerage Limited, Sunfund Securities Limited and Futu Securities International (Hong Kong) Limited

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“Latest Practicable Date”	20 October 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“km”	kilometer(s)
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on the Main Board, which is expected to be on or about Tuesday, 10 November 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Luanxian Tangsteel Gases”	Luanxian Tangsteel Gases Co., Ltd. (灤縣唐鋼氣體有限公司), a company established under the laws of the PRC with limited liability on 3 December 2013 and our wholly-owned subsidiary
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 17 June 2020, a summary of which is contained in Appendix III to this prospectus, as amended from time to time
“MOFCOM”	The Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Bai”	Mr. Bai Xueping (白雪平), our chief financial controller and a shareholder of OxyChina
“Mr. Chen”	Mr. David T Chen (陳大維), our Chairman, executive Director, a shareholder of OxyChina and one of our Controlling Shareholders
“Mr. Hu”	Mr. Hu Pinggang (胡平崗), a shareholder of OxyChina and an Independent Third Party
“Mr. Zhou”	Mr. Zhou Zhi Xing (周智新), a shareholder of OxyChina and an Independent Third Party

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“Offer Price”	the final HK dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in the section headed “Structure of the Global Offering — Price determination of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, including the additional Shares that might be issued under any exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) under the International Underwriting Agreement, pursuant to which our Company may be required to issue up to an aggregate of 45,000,000 new Shares (representing in aggregate 15% of the Shares initially offered under the Global Offering), at the final Offer Price, to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“OxyChina”	OxyChina Limited, a company incorporated under the laws of the BVI with limited liability on 3 February 2004, which is owned as to 70% by Mr. Chen, 10% by Mr. Bai, 10% by Mr. Hu and 10% by Mr. Zhou, and one of our Controlling Shareholders
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	Zhong Lun Law Firm
“Price Determination Agreement”	the agreement expected to be entered into by our Company and the Sole Representative (for itself and on behalf of the Underwriters) on the Price Determination Date to determine the final Offer Price

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“Price Determination Date”	the date on which the Offer Price is to be fixed by the Sole Representative (for itself and on behalf of the Underwriters) and us, which is expected to be on or around Monday, 2 November 2020 and in any event not later than Wednesday, 4 November 2020
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure - Reorganisation” in this prospectus
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SH Huitang Zhihe”	Shanghai Huitang Zhihe Investment Co., Ltd. (上海惠唐鄧和投資有限公司), a company established under the laws of the PRC with limited liability on 2 December 2014 and is wholly owned by HBIS Company, and one of our Controlling Shareholders
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 17 June 2020, the principal terms of which are summarised in section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Global Offering
“sq. m.”	square metres

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“Stabilising Manager” or “Sole Representative”	China Everbright Securities (HK) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager as borrower and CGI as lender on or around the Price Determination Date
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as issued by the SFC and as amended, supplemented or otherwise modified from time to time
“Tangshan Car Plate”	Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd. (唐山鋼鐵集團高強汽車板有限公司), a company established under the laws of the PRC with limited liability on 8 July 2013 and a subsidiary of HBIS Tangsteel
“Tangshan Meijin”	HBIS Tangsteel Meijin (Tangshan) Coal Chemical Co., Ltd. (唐鋼美錦(唐山)煤化工有限公司), a company established under the laws of PRC with limited liability on 24 August 2012 and is owned as to 45% by HBIS Tangsteel
“Tangshan Plate”	Tangshan Middle and Heavy Plate Co., Ltd. (唐山中厚板材有限公司), a company established under the laws of the PRC with limited liability on 18 September 2004 and a subsidiary of HBIS Company
“Tangshan Stainless Steel”	Tangshan Stainless Steel Co., Ltd. (唐山不銹鋼有限責任公司), a company established under the laws of the PRC with limited liability on 27 September 2003 and a subsidiary of HBIS Tangsteel
“Tangsteel Dongxin Village”	Tangshan Tangsteel Dongxin Village Gases Refuelling Station Co., Ltd. (唐山唐鋼東新村加氣站有限公司), a company established under the laws of the PRC with limited liability on 22 January 2016 and our wholly-owned subsidiary
“Track Record Period”	the periods comprising the three years ended 31 December 2019 and the six months ended 30 June 2020
“TTG”	Tangshan Tangsteel Gases Co., Ltd. (唐山唐鋼氣體有限公司), a company established as a sino-foreign equity joint venture enterprise under the laws of the PRC with limited liability on 8 February 2007 and our wholly-owned subsidiary

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“TTG Ironmaking Branch”	Tangshan Tangsteel Gases Co., Ltd. Ironmaking Branch (唐山唐鋼氣體有限公司煉鐵分公司), a branch company of TTG established in the PRC on 18 June 2012
“TTG Laoting Branch”	Tangshan Tangsteel Gases Co., Ltd. Laoting Branch (唐山唐鋼氣體有限公司樂亭分公司), a branch company of TTG established in the PRC on 16 January 2017
“TTG Stainless Steel Branch”	Tangshan Tangsteel Gases Co., Ltd. Stainless Steel Branch (唐山唐鋼氣體有限公司不銹鋼分公司), a branch company of TTG established in the PRC on 18 June 2012
“TTG Yutian Branch”	Tangshan Tangsteel Gases Co., Ltd. Yutian Branch (唐山唐鋼氣體有限公司玉田分公司), a branch company of TTG established in the PRC on 12 June 2014
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US” or “U.S.” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“USD” or “US\$”	the US dollars, the lawful currency of the United States
“WFOE”	wholly foreign owned enterprise
“ WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be issued in an applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by members of the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Zhongqi Investment”	Zhongqi Investment (Tangshan) Gases Co., Ltd. (中氣投(唐山)氣體有限公司), a company established under the laws of the PRC with limited liability on 20 July 2018 and our wholly-owned subsidiary
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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The English names of PRC laws, regulations, government authorities, institutions, companies or entities established in the PRC included in this prospectus are translations of their Chinese names and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

Unless expressly stated or otherwise required by the context, all data are as of the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company does not take into account any Shares to be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standards industry definitions or usage of such terms.

“annual designed production capacity”	annual designed production capacity calculated based on the assumption that production facilities are in operation for 365 days per year (183 days for a period of six months), 24 hours per day
“ASU(s)”	air separation unit(s), a large piece of equipment that separates ambient air into its various molecular components
“CNG”	compressed natural gas, refers to natural gas that has been compressed to a high density through high pressure and is used as a clean alternative fuel for vehicles
“COG”	coke oven gas, which is a by-product of the coke-making process
“COVID-19”	an infectious disease caused by a recently discovered coronavirus, i.e., the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The most common symptoms of COVID-19 are fever, tiredness, and dry cough. Some patients may have aches and pains, nasal congestion, runny nose, sore throat or diarrhoea. COVID-19 is mainly transmitted through contact with respiratory droplets from person to person
“design production capacity”	for illustrative purpose only, designed production capacity refers to the maximum production capacity based on the manufacturer’s specifications and instructions as specified in the user’s manual
“kWh”	unit of energy (power), kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power plant producing one thousand watts for one hour
“LNG”	liquefied natural gas, which is natural gas (predominantly methane) that has been cooled down to liquid form
“mu”	mu (畝), a Chinese unit of measurement, equivalent to 666 ² / ₃ sq.m.
“Nm ³ ”	Normal Cubic Meter. Unit used to measure volume of gas in standard pressure and temperature
“Nm ³ /hr”	Normal Cubic Meter per hour. Unit used to measure gas flow rate

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk Factors” in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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Potential investors should carefully consider all of the information set out in this prospectus and, in particular, the risks and uncertainties described below, before making any investment decision in relation to our Company. If any of the possible events described below occur, our business operation, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our relationship with members of the HBIS Group is crucial to our business operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between members of the HBIS Group and us.

HBIS Company, a member of the HBIS Group, was one of our founding Shareholders. Due to our historical background and nature of our business model, we are the exclusive pipeline industrial gas supplier for a few members of the HBIS Group, including HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Car Plate and Tangshan Plate, some of which are also our utility suppliers. We are also the exclusive pipeline industrial gas supplier to HBIS Laosteel which became a subsidiary of HBIS in April 2020 and HBIS Laosteel is the utility supplier to our Zhongqi Investment plant. For more information regarding our relationship with members of the HBIS Group, please refer to the section headed “Business — Our business — Relationship with members of the HBIS Group” in this prospectus. Given the extensive link between us and HBIS Group, our business operation is directly affected by the business operation, results of operation and prospect of members of the HBIS Group. Furthermore, we may be materially affected if there is any material change to the arrangements between members of the HBIS Group and us.

During the Track Record Period, a significant portion of our revenue was generated from our supply of pipeline industrial gas to members of the HBIS Group which are iron and steel companies having a demand for industrial gas as raw materials for their production of iron and steel. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from the HBIS Group (including HBIS and its subsidiaries only) accounted for approximately 79.2%, 73.4%, 83.6% and 88.1% of our total revenue and revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue, respectively. Please refer to the section headed “Business — Our business — Customers” in this prospectus for more details. Our Directors believe that the revenue from sales to members of the HBIS Group will continue to represent a substantial proportion of our total revenue in the near future.

Business operation, results of operation and prospect of members of the HBIS Group are beyond our control. We cannot assure you that those members of the HBIS Group who are our customers are able to maintain their business scale and demand for our pipeline industrial gas. Any significant

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deterioration in the business and financial conditions of those members of the HBIS Group, the iron and steel industry in or the PRC economy in general, could adversely affect their ability to satisfy their obligations under the industrial gas supply contracts they have entered into with us. In addition, we cannot assure you that the demand of HBIS Laosteel will necessarily meet with our expectation. This in turn could have a material adverse effect on our business, results of operations, financial condition, and prospects.

If one or more of members of the HBIS Group who are our customers, ceases to conduct business, or fails to maintain and/or increase its/their current level of business with us, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations could be materially and adversely affected. Any change of business development plan or any adverse changes in the business or financial performance of these relevant members of the HBIS Group, including any liquidity problem, relocation of their plants, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us. We cannot guarantee that we will be able to diversify our customer base by obtaining a significant number of new projects from our existing and/or new customers.

Our customers may prematurely terminate or default under our industrial gas supply contracts.

We generally entered into long-term take-or-pay industrial gas supply contracts with a duration of 15 or 30 years with our pipeline industrial gas customers, each of which provided for a monthly minimum purchase volume for each type of pipeline industrial gas products. For more information relating to the key terms of the industrial gas supply contracts, please refer to the section headed “Business — Our business — Customers — Pipeline industrial gas customers” in this prospectus. In the event that the actual purchase volume is below the monthly minimum purchase volume, under the terms of the relevant contracts, our pipeline industrial gas customers remain responsible for the fees calculated based on the monthly minimum purchase volume except and save for our contract with HBIS Tangshan Branch from September 2020. However, if any of our pipeline industrial customers either (i) terminate the industrial gas supply contracts prior to the expiry of the agreed contractual term, or (ii) become insolvent or otherwise default on payments under such contracts, it could have a material adverse effect on our business, financial condition and results of operations.

Our business operations and financial performance may be adversely affected if there is any change to the operation and/or business development plans of members of the HBIS Group who are our customers.

We have a limited number of pipeline industrial gas customers which are members of the HBIS Group and thus if one of these customers has any material change to their operation and/or business development plans, such as expansion, relocation or suspension, demand for our industrial gas products may be affected. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from the HBIS Group (including HBIS and its subsidiaries only) accounted for approximately 79.2%, 73.4%, 83.6% and 88.1% of our total revenue and revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue, respectively. For the same periods, revenue generated from HBIS Tangshan Branch, one of our pipeline industrial gas customers,

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accounted for approximately 40.3%, 39.2%, 43.3% and 43.6% of our total revenue, respectively. As a result, our business operation and financial performance may be significantly affected if there is any change to the operation and/or business development plans of those members of the HBIS Group who are our customers.

The PRC Government at various levels has in recent years promulgated several policies with a view to the reducing air pollution and consolidating the production capacity of the iron and steel industry. On 6 October 2013, the State Council issued the Guiding Opinions on Resolving Serious Production Overcapacity Conflicts (《國務院關於化解產能嚴重過剩矛盾的指導意見》) which required relevant government authorities to eliminate and shut down inefficient capacity in industries such as iron and steel production and to promote the application of high-grade and high-performance production technology and process. The State Council further issued Guidelines on Addressing Overcapacity and Achieving a Turnaround in the Steel Industry (《國務院關於鋼鐵行業化解過剩產能實現脫困發展的意見》) in February 2016 and Ministry of Industry and Information Technology promulgated the Implementation Measures of Capacity Replacement in the Iron and Steel Production Industry (《鋼鐵行業產能置換實施辦法》) in December 2017 to further regulate and implement the replacement and consolidation of production capacity of the steel industry.

Local governments within the Jing-Jin-Ji Region at provincial and municipal level have promulgated local policies and plans to implement such national policies. In line with the national policies, since 2018, Tangshan government has started to relocate iron and steel plants within urban areas and ecologically fragile areas to more strategically located industrial zones in the coastal area with a view to consolidating the currently fragmented sector as well as to reducing pollution and traffic congestion. Relevant relocation policies announced by the government included the 13th Five-Year Plan for Tangshan Iron and Steel Industry Development (《唐山市鋼鐵產業“十三五”規劃》) and the Work Plan for Promoting the High-quality Development of Tangshan Iron and Steel Industry (2018-2020) (《唐山市推進鋼鐵產業高質量發展工作方案(2018年-2020年)》). Under such government initiatives, certain iron and steel companies in Tangshan may be relocated to new sites to reduce pollution in the urban area of Tangshan, and to improve their production capacity and efficiency.

As our pipeline industrial gas customers are iron and steel companies, they are subject to these government policies which specifically apply to the iron and steel industry. The establishment of HBIS Laosteel, our new customer of the Zhongqi Investment plant which is under development, was part of HBIS's project to replace and consolidate its iron and steel production capacity among its subsidiaries, in light of the government policies. On 19 August 2020, HBIS Company entered into the Exit and Relocation Agreement in relation to its exit and relocation plan with the People's Government of Tangshan. Pursuant to the Exit and Relocation Agreement, HBIS Tangshan Branch would cease the Terminated Production Facilities at the Lubei District and Kaiping District before the end of August 2020. At the same time, HBIS Laosteel which has been acquired by HBIS Company in April 2020 would gradually commence its productions at the HBIS Tangsteel New District located in Laoting County, Tangshan City in September 2020. On 2 September 2020, HBIS Company

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announced that the operation of the Terminated Production Facilities had completely ceased. On 7 September 2020, HBIS Laosteel ignited its No. 1 furnace which was the preamble for the commencement of the trial production of iron and steel products, which was expected to commence by the end of October 2020.

Being the exclusive industrial gas supplier to HBIS Laosteel in the HBIS Tangsteel New District, our Group reacted to and made proper and timely preparations and arrangements during the transition period in September 2020 to ensure our Group could smoothly and promptly relocate seamlessly in order to continuously support the production of iron and steel at the HBIS Tangsteel New District. The Zhongqi Investment plant is required to and can only commence its production and supply industrial gas if the HBIS Tangsteel New District is ready for production. For further details relating to the latest status of the Zhongqi Investment plant, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” in this prospectus.

According to the Frost & Sullivan Report, the supply of liquefied industrial gas typically covers customers that are located within approximately 250km to 300km in radius from the supplier. In the event that any of our liquefied gas customers has to relocate, we are not significantly affected given that our liquefied industrial gas are stored in large tanks and delivered to our customers through road tanker delivery. We, being an industrial gas supplier, are not subject to the government policies of the iron and steel industry. As of the Latest Practicable Date, we had not been requested by the relevant government authorities to relocate any of our production plants. As a result, we are not exposed to imminent risks of relocation due to the governmental policies. We will inform our Shareholders and potential investors if we and/or our other pipeline industrial gas customers are relocated that could have a material impact on our business and results of operations.

Any action we take to support our customer’s current or future relocation may require us to relocate some of our existing equipment or even our existing plants. Furthermore, our existing pipeline industrial gas customers may not be able to maintain their current level of demand for our pipeline industrial gas products during their relocation process. The relocation of our pipeline industrial gas customers are affected by the general economic environment in the PRC and the Jing-Jin-Ji Region and/or any unforeseen legal impediments, such as failure to obtain the required regulatory approvals necessary for business relocation, expansion and operation. There is also no assurance that these customers will be able to maintain their current market share and level of business after the relocation. This may adversely affect their production levels and their demand of our products. In addition, our ability to build new production plants with sufficient designed production capacity and supply to our pipeline industrial gas customers, either existing or new customers, in a timely manner may be adversely affected by factors such as the lack of available capital and funding, equipment and components, utilities, qualified personnel, unexpected technical problems, unforeseen developments at our construction sites, and issues in connection with construction subcontractors and other logistical difficulties. Our failure to construct new production plants or supply pipeline industrial gas to our customers in a timely manner, or at all, may expose us to risks relating to failure to provide supplies as agreed and developing new customers, which may in turn adversely affect our reputation, results of operation and financial condition.

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We are required to implement our environment, social and governance measures in the new locations in the event that any of our existing production plants is relocated or that we have new production plants elsewhere. We will ensure proper management of major environmental and social risks related to our business, including among others obtaining approval for environmental impact assessment for the construction of the Zhongqi Investment plant, cooling water and domestic waste water treatment, noise reduction, control of electricity consumption and management of health and safety risks, at the Zhongqi Investment plant. We expect that the total environmental compliance cost for Phase I of the Zhongqi Investment plant development which mainly comprised of noise control, precautionary measures for hazardous chemicals and waste water treatment is approximately RMB1.1 million. For our environmental, social and governance compliance, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” and “Business — Environmental, social and governance” in this prospectus. If we fail to comply with the relevant environment, social and governance requirements, we may be subject to fines and/or other legal risks and our productions may be ordered to suspend. The occurrence of any such events may adversely affect our business, our revenue and results of operations.

We are subject to risk due to our expansion and relocation of equipment associated with the development of the Zhongqi Investment plant.

As at the Latest Practicable Date, the Zhongqi Investment plant was our only production plant under development. The construction of the Zhongqi Investment plant is intended to be implemented in two phases. During Phase I which is expected to complete by the first quarter of 2021, three ASUs (including the ASU being relocated) will be installed at the Zhongqi Investment plant, adding a designed production capacity of 140,000 Nm³/hr of oxygen to our total designed production capacity. In the meantime, due to the relocation of the ASUs and one of the air compressors supporting such ASU at the TTG headquarters plant and an air compressor used at the TTG Ironmaking Branch plant to our Zhongqi Investment plant, our total designed production capacity will decrease by 73,000 Nm³/hr of oxygen during Phase I of Zhongqi Investment’s development. During Phase II which is expected to complete by the first half of 2022, another ASU will be installed at the Zhongqi Investment plant, adding a designed production capacity of 60,000 Nm³/hr of Oxygen to our total designed production capacity. As a result, we expect that our total designed production capacity will increase by 127,000 Nm³/hr of oxygen by the end of 2022. For more information, please refer to the section headed “Business — Our business — Our production facilities” in this prospectus.

We may not successfully implement or complete the development of the Zhongqi Investment plant. There can be no assurance that the plan of the development of the Zhongqi Investment plant will not be changed or the time needed to fully implement will not be materially delayed due to reasons beyond our control. Our ability to manage our expansion is subject to certain significant risks and uncertainties, including amongst others (i) sufficiency of capital to support expansion and relocation; and (ii) possible delays or denial of the required approvals and certifications by the relevant government authorities. We may also experience over-capacity if there is insufficient demand from HBIS Laosteel, which may materially affect our profitability and future growth.

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Also, since the supply of liquefied industrial gas is subject to a territorial restriction of a radius of approximately 250 km to 300 km, our customer base of supply of liquefied industrial gas may change following our expansion and relocation. We cannot assure you that we will be able to identify new liquefied industrial gas customers, or customers which will transact with us at a comparable level after expansion and relocation.

Any failure to implement our expansion plans may make it difficult to further develop our business operations, prevent us from taking advantage of market opportunities or effectively compete with our competitors. If our expansion does not occur as we desire, is not completed in a timely manner or does not give rise to the anticipated benefits, our future plans, profitability and growth may be materially and adversely affected.

We expect to incur substantial depreciation expenses relating to the construction of the Zhongqi Investment plant, which may materially and adversely affect our results of operations and financial condition.

We may be subject to significant depreciation expenses arising from the Zhongqi Investment plant along with its construction progress and subsequent operation. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values with residual value rate of 3% over then 30 years estimated useful lives. For the year ending 31 December 2020, we estimate that depreciation expenses associated with our Zhongqi Investment plant will be approximately RMB9.9 million. Such depreciation expenses would materially and adversely affect our profitability, results of operations and financial condition.

Our business and results of operations may be subject to the changes in the market conditions of the iron and steel industry.

The largest downstream industry of industrial gas is the iron and steel industry. Factors affecting the development and prospects of the iron and steel industry may indirectly affect those of the industrial gas industry. General slowdown in the economy of the PRC may result in a reduction of demand for commodities, such as iron and steel. As a result, the demand for our supply of industrial gas may decrease, which may have an adverse effect on our business and results of operations. As all of our operations are in the PRC, the economy of the PRC have a significant impact on our customers and potential customers, and thus on the demand for our industrial gas products.

Our pipeline industrial gas was supplied to iron and steel companies under the HBIS Group. Any negative impact on the iron and steel industry may result in a decrease in demand for our supply of pipeline industrial gas, which may in turn materially affect our business operation, profitability and future growth.

Any regulatory policies that may adversely affect the business of iron and steel industry may reduce the demand for our supply of pipeline industrial gas and liquefied industrial gas. In August 2018, the People's Government and the provincial committee of Hebei Province issued the Plan of the Reduction of Capacity in Iron and Steel Industry in Hebei Province (2018-2020) (《河北省鋼鐵行業去產能工作方案(2018-2020年)》). According to the plan, outdated production facilities are required to be closed down and the production of iron and steel in Hebei Province will be limited to 200 million tonnes by the end of 2020. Such production restrictions will reduce the demand for our industrial gas

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products of customers in iron and steel industry. The production restrictions mainly target outdated production facilities and/or small-to-medium sized market players in the industry, according to the Frost & Sullivan Report. As the HBIS Group is a leading iron and steel producer in the PRC and is less likely to be considered as operating outdated production facilities in terms of its production techniques and environmental compliance, the HBIS Group has not been materially affected by the limitation of 200 million tonne by the end of 2020, to the best of our knowledge. There are also a series of policies which result in the consolidation of the iron and steel industry. For more information relating to prospects of the iron and steel industry in the PRC, please refer to the section headed “Industry Overview — Opportunities, threats and challenges of China’s industrial gas industry — Opportunities” in this prospectus. Our market share may increase or decrease significantly following the consolidation of the iron and steel industry. We cannot assure you that such policies will be lifted and/or changed any time in the future. Should the PRC Government impose more stringent environmental restrictions on iron and steel producers which could result in reduction of iron and steel production, our major customers may further reduce their demand of our supply of pipeline industrial gas and liquefied industrial gas. This will have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to the risks associated with changes in the industries in which our liquefied industrial gas customers operate.

The customers of our liquefied industrial gas operate in a wide range of industries, including medical, shipping, engineering, photovoltaic, food and automotive. Our ability to maintain and expand our supply of liquefied industrial gas is exposed to the risks associated with these downstream industries in which our liquefied industrial gas customers operate, such as changes in technologies, government and regulatory requirements, market conditions and industry standards. Any negative impact on these downstream industries may result in a decrease in demand for our supply of liquefied industrial gas. We cannot assure you that we continue to be successful in responding to the changes in these downstream industries, customer preference and market demand. If we are unable to manage and mitigate the risks associated with changes in downstream industries of liquefied industrial gas, our business operation, profitability and future growth may be adversely affected.

We recorded a gross loss margin for our LNG-related business for the years ended 31 December 2017 and 2018.

For the years ended 31 December 2017 and 2018, we recorded a gross loss margin of approximately 30.3% and 0.8% for our LNG related business, respectively. The gross loss in 2017 and 2018 primarily resulted from a reduced scale of our supply of LNG resulting from a restricted supply of COG to us. COG is the key raw material for LNG production. As the revenue generated from supply of LNG decreased while the cost of revenues (which mainly included depreciation and consumption of utilities) continued to be incurred, the profitability of supply of LNG was adversely impacted. Please refer to the sections headed “Business — Our business — LNG-related business” and “Financial Information — Description of major components of our results of operations — Gross profit and gross profit margin” in this prospectus for more details. We cannot assure you that we will be able to source in the future sufficient level of COG for the purpose of producing LNG, so as to make our LNG-related business a profitable one. To improve air quality of the Jing-Jin-Ji Region, the restrictions imposed by the local government on the production and supply of COG are likely to continue and such restrictions may never be lifted by the local government. As a result, our LNG

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production operations may not be able to become profitable. Even though we have a price adjustment arrangement in place with HBIS Tangshan Branch in relation to the gas transmission services we provide to them, such services will not be sufficient to turn our LNG-related business into a profitable business. Furthermore, HBIS Tangshan Branch just like any contractual counterparty may cancel these arrangements, default on the arrangements, or refuse to renew the arrangements with us. In that case, the financial performance of our LNG-related business is unlikely to improve.

Any interruption or instability in utility supplies may prevent us from operating our production plants.

Our production process requires a stable supply of utilities, such as electricity and water in large quantities. Our entire production process may stop if there are insufficient utility supplies or suspension of such supplies. Although most of our production plants maintain an inventory of liquefied industrial gas to sufficient level to ensure that we can continue to supply to our customers in the event of unforeseen interruptions to production, such inventory may become insufficient. During the Track Record Period, we procured electricity, water, heating and steam mainly from HBIS Tangshan Branch, Tangshan Stainless Steel and Tangshan Plate which were also our pipeline industrial gas customers based on a number of utility purchase contracts. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment. We cannot control or ensure continuous and reliable supply of utilities. Our pipeline industrial gas customers may fail to perform their obligation under the utility purchase contracts or early terminate such contracts, which may materially affect the availability of utilities to us.

Although we have not experienced any major shortage of utility supplies since we commenced business, there is no assurance that we can secure the level of utility supplies that we require in the future. Any interruption or instability in utility supplies will not only increase our costs of production, and adversely affect our financial condition and results of operations, but will also prevent us from producing and delivering our industrial gas products to our customers as scheduled and may result in breach of contract, decrease in revenue and damage to our reputation.

Our cost of revenues is materially affected by the cost of consumption of utilities.

The production process involved in our business is electricity-intensive and consumption of utilities, which mainly include electricity, water and steam is the largest component of our cost of revenues. Electricity, which is the highest contribution to our cost of revenues, is mainly consumed by the ASUs. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, consumption of utilities accounted for approximately 71.6%, 73.7%, 77.2% and 78.1% of our total cost of revenues, respectively. We source supply of utilities from our pipeline industrial gas customers pursuant to the long-term utility purchase contracts in place. According to the Frost & Sullivan Report, it is an industry norm for pipeline industrial gas suppliers to operate their industrial gas production facilities on or in close proximity of the production site of customers and for such customers, in return, to provide electricity and other utilities for pipeline industrial gas suppliers to secure reliable, stable and continuous pipeline industrial gas production and supply. Pursuant to the terms of the utility purchase contracts, electricity price is generally fixed at a flat rate throughout the term of the industrial gas supply contracts, subject to adjustments due to movements in local electricity price as determined by power companies from time to time with reference to the government prescribed price. The utility purchase contracts also provide for an annual review of the

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unit price. Our Directors confirm that the prices of utilities charged to the Group during the Track Record Period were not subject to mark-up on top of the suppliers' costs which were calculated by (i) the benchmark rates set by the relevant PRC authorities or where such benchmark rates are not applicable, based on the prices charged by the local utility companies; and (ii) overhead costs incurred such as depreciation. However, there is no assurance that the utility suppliers that are mostly our pipeline industrial gas customers will always charge us at cost for the utilities supplied to us. If a cost-plus model with a large mark-up margin is adopted by our utility suppliers, our cost of consumption of utilities may significantly increase.

While we may experience increased electricity prices, each of our industrial gas supply contracts allows us to make corresponding adjustments to the selling prices of our pipeline industrial gas by taking into account the fluctuations in electricity prices. For more information relating to key terms under the industrial gas supply contracts, please refer to the section headed "Business — Our business — Customers — Pipeline industrial gas customers" in this prospectus. If, however, we are not able to increase the prices we charge our pipeline industrial gas customers for any increase in electricity prices, or if we are unable to pass on the increase in costs of consumption of utilities to our customers, our results of operations may be adversely affected.

We require substantial capital to expand our business and any failure to obtain sufficient capital on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.

The industrial gas industry in which we operate is generally capital-intensive. We require significant capital to build our production plants and operating facilities and to purchase production equipment, develop new products and develop and implement new technologies. We incur a substantial portion of our capital expenditures in advance of any revenue to be generated by new or upgraded production facilities or technology. Our capital expenditures have increased as a result of our investment relating to Zhongqi Investment plant and it is likely we will have other similar investments in the future, which will increase our funding needs. We therefore have significant capital expenditure and working capital requirements. Our sources of additional funding, if required, may include the incurrence of debt or the issue of equity or debt securities or a combination of both. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and this could have a significant effect on our profitability and cash flows and we may be subject to covenants, which could limit our ability to access cash flows from operations.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. In the past, we have financed our working capital and capital expenditures through a combination of sources, including cash flow from our operations and bank and other borrowings. Our ability to arrange for additional funds on acceptable terms is subject to a variety of uncertainties, including (i) future results of operations, financial condition and cash flows; (ii) economic, political conditions and market demand for our services; (iii) costs of financing, liquidity and overall condition of financial and capital markets in the PRC and internationally; (iv) receipt of applicable business licenses, approvals and other risks associated with our businesses; and (v) limitations on our ability to raise capital in capital markets and conditions of the PRC and other capital markets. Any such inability could have a material adverse impact on our business and results of operations.

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If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, our expansion plans or completion of new production plant may be delayed, our proposed or potential projects may be hindered, and our growth, competitive position, financial position and results of operations may be adversely affected. Similarly, our working capital requirements may increase due to various factors including growth in our businesses. In case there are insufficient cash flows to meet our working capital requirements or we are unable to arrange the same from other sources, it may adversely affect our operations and profitability. If there is any increase in the interest rates for such borrowings, it may adversely affect our profitability.

There are defects to the titles of certain properties that we currently use. If we are ordered to return the affected land and vacate from the relevant building structures or if administrative penalties are imposed on us, our business operations which are carried out on the affected land, buildings and structures will be materially and adversely affected.

As at the Latest Practicable Date, we failed to obtain title documents for certain land, buildings and structures that we currently occupy and use for our production and office purposes, mainly due to various reasons such as our execution teams being unfamiliar with the relevant laws, regulations and rules and inconsistent implementation or interpretation by local authorities in the PRC of such laws, regulations and rules.

TTG Yutian Branch commenced construction of production facilities on the parcel of land of 9.14 mu (approximately 6,093 sq.m.) out of 15.14 mu (approximately 10,093 sq.m.) prior to obtaining the land use right certificate and failed to obtain the subsequent necessary construction permits and submit the requisite completion and acceptance filing materials for the buildings and structures constructed on such land of 15.14 mu.

We constructed certain buildings and structures on the leased land at the TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant, the TTG Laoting Branch plant and CNG and LNG gas station and failed to obtain necessary construction permits and ownership certificates. Also, the lessors failed to obtain the construction land use planning permits (建設用地規劃許可證) for such leased land. We failed to complete the land lease registrations and obtain certificates of other rights over land (土地他項權利證明書) to be issued after completion of such registrations for our leased land.

Luanxian Tangsteel Gases failed to obtain the necessary construction permits or submit the requisite completion and acceptance filing materials for the buildings and structures constructed on the Luanxian plant.

We failed to complete house leasing registrations with respect to the leased buildings and structures for offices and production facilities at the TTG headquarters plant, the TTG Ironmaking Branch plant and office building for TTG Stainless Steel Branch plant.

For more information regarding properties with defective titles that we currently use, please refer to the section headed “Business — Our properties — Properties with defective titles” in this prospectus.

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We may be subject to various legal and operational risks due to these title defects. As advised by our PRC Legal Advisers, our right as occupant of these properties may be adversely affected due to the absence of title documents, such as our rights to transfer or lease the land and buildings and/or subject the land use right and ownership of buildings and structures to mortgage loans. We may be required to return the affected land and vacate from the relevant buildings and structures and/or to dismantle the relevant buildings and structures. We may also be subject to administrative penalties. Pursuant to the relevant laws and regulations, a maximum fine of approximately RMB6.5 million, RMB1.1 million and RMB3.1 million may be imposed on TTG, Tangsteel Dongxin Village and Luanxian Tangsteel Gases respectively, due to these title defects.

We had not formulated contingency plans to relocate our operations which may be affected by the title defects because our Directors are of the view that the likelihood of our being ordered to return land, vacate from and demolish buildings and structures, or being subject to administrative penalties is remote, taking into account the views and confirmations obtained from the relevant authorities and advice obtained from our PRC Legal Advisers. However, we cannot guarantee that we will be able to obtain the land title certificate that remains outstanding and the building ownership certificates or to complete the required registrations and that we will not be subject to any penalties or fines. In the unlikely event that we are ordered to return the affected land or vacate from the relevant buildings and structures, we may not be able to relocate to other locations timely or at all, and as a result, our business and operation will be materially and adversely affected.

Our business operation may be adversely affected by natural disasters, health epidemics and other outbreaks.

Our business could be materially and adversely affected by natural disasters or the outbreak of epidemic. Tangshan, as well as the rest of the Jing-Jin-Ji Region, is an area of high risks of earthquakes. On 28 July 1976, a magnitude 7.6 earthquake which was known as the 1976 Tangshan earthquake or Great Tangshan earthquake hit the region around Tangshan, causing more than 200,000 deaths, 700,000 injured and a large scale of property damage. On 12 May 2008, a severe earthquake hit part of Sichuan province in southwestern China, and on 14 April 2010, another severe earthquake hit part of Qinghai province in western China, each of which resulted in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future affecting Tangshan where we have our operations or any other city in the Jing-Jin-Ji Region, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our production facilities.

The PRC has, during the past few decades, experienced an outbreak of epidemics, such as severe acute respiratory syndrome (SARS), influenza A (H1N1) and avian influenza (H5N1, H7N9 and H10N8). On 30 January 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern (PHEIC) and subsequently formally declared the COVID-19 outbreak a pandemic on 11 March 2020. This strain of coronavirus was considered highly contagious and posed a serious public health threat. As at the Latest Practicable Date, COVID-19 had infected over 40.0 million people globally and caused more than 1.0 million deaths.

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The PRC Government announced a number of measures in January 2020 with a view to containing the COVID-19 outbreak, such as locking down major cities, imposing travel restrictions across cities and provinces, extension of the Lunar New Year public holiday and postponing the resumption of production in a wide spectrum of industries.

In response to the COVID-19 pandemic, we have adopted enhanced hygiene and precautionary measures to prevent infection and transmission of COVID-19 within our production plants and offices and among our staff, including:

- distribution of disposable masks, gloves, sanitizing products, and if necessary, uniforms among our employees and requiring our staff to be fully equipped with all preventive clothing and accessories on a daily basis;
- cleaning and disinfection of commonly used areas within our production facilities and offices with increased frequency;
- providing flexible working arrangement for our employees on an as-needed basis;
- encouraging our employees to closely monitor their health and well-being;
- mandatory infrared contactless body temperature measurement for all our employees each time they enter or leave the working premises;
- requiring our employees to refrain from gathering within the work place; and
- imposing self-quarantine requirements on employees who had travel history to areas of high risks within 14 days.

With the preventive measures taken in the PRC, the number of daily confirmed cases has decreased significantly in the PRC. However, the spread of COVID-19 in other countries and regions, such as the United States, Italy, Spain and France, has taken a different path, and subsequently, there has been an increased number of imported cases reported in the PRC following this wave of outbreak overseas. As the spread of COVID-19 has been largely contained in the PRC starting from late March and early April 2020, business activities in the PRC have resumed operations where possible. The situation of the COVID-19 pandemic is constantly changing and it remains uncertain when it will end. The COVID-19 pandemic has, and will continue to adversely impact PRC's economy and may cause a global economy recession.

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Even though our production and business operation has not experienced suspension due to COVID-19, our business operation and financial performances have been affected as follows:

- our supply of pipeline industrial gas decreased during the six months ended 30 June 2020 due to a decreased demand from our pipeline industrial gas customers. To the best knowledge of our Directors, even though our pipeline industrial gas customers which were members of the HBIS Group did not experience production suspension due to COVID-19, HBIS Tangshan Branch and Tangshan Stainless Steel reduced their production volumes as a result of a decrease in demand for iron and steel in the market. HBIS Tangshan Branch and Tangshan Stainless Steel have recorded an upward trend in their production volumes since April 2020. Accordingly, certain of our ASUs at the TTG Ironmaking Branch plant, TTG Stainless Steel Branch plant and TTG headquarters plant recorded lower utilisation during the first quarter of 2020. Since April 2020, their utilisation has started to gradually resume;
- our supply of liquefied industrial gas decreased during the six months ended 30 June 2020 due to a decreased demand from our liquefied industrial gas customers;
- the development progress at the Zhongqi Investment plant slowed down and was delayed for approximately three months due to our contractor's temporary shortage of labour;
- the local authorities' delay in processing our applications for certain licenses, permits and approvals due to their diverted attention to the pandemic; and
- an increase in costs as a result of our adoption of enhanced hygiene and precautionary measures.

As a result, our revenue decreased for the six months ended 30 June 2020 as compared with the same period in 2019. We estimate that the additional costs for implementing our enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, will be approximately RMB0.1 million for the year ending 31 December 2020. Our Directors confirm that the additional costs associated with the enhanced measures will have insignificant impact on our Group's financial position for the year ending 31 December 2020.

In the event that the disease spreads in our production facilities, we may have to suspend our production and business operation and as a result our financial performance may be materially affected. If our customers are also materially affected by natural disasters or the outbreak of public health problem, our business operation may be significantly impacted.

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We are subject to risks relating to the operation of our production facilities.

Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of any of our production facilities arising from unexpected or catastrophic events may prevent us from supplying industrial gas products and provision of gas transmission service to our customers, resulting in a material adverse impact on our results of operations and financial condition. If there is a prolonged interruption to production at any of our production plants, we may be required to source industrial gas products from our unaffected production plants or from external gas suppliers in order to continue to supply industrial gas products to our customers, which may lead to additional costs or delays and alternative sources may not be readily available.

Operation breakdowns can result from external factors beyond our control, such as natural disasters (including flooding, cyclone, typhoon, earthquake, blizzard and snow storm), terrorism or other third-party interference, but may also be caused by accidents occurring during the operating process, including faulty construction and operator error, and can, in particular, lead to fire, explosions or the release of toxic or harmful substances. In all these cases, there is also a risk of injury or damage to persons, the property of others or the environment, which in turn can lead to considerable financial costs and may also have legal consequences.

Any breakdown or suspension of production or failure to supply our industrial gas products to our customers in a timely manner according to the provisions of our industrial gas supply contracts may result in breach of contract, and loss of revenue, as well as expose us to liability and the requirement to pay compensation under the relevant industrial gas supply contracts, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

The selling prices of our liquefied industrial gas products are subject to market fluctuations, which may have a material adverse impact on our results of operation.

The selling prices of our liquefied industrial gas products are generally determined with reference to market prices. For more information, please refer to the section headed “Industry Overview — China’s industrial gas industry — Price analysis of industrial gas industry” in this prospectus. Any decrease in the market prices for a particular type of liquefied industrial gas product that we sell will result in a decrease in the revenue generated from our supply of liquefied industrial gas and hence, adversely affect the results of our operations.

We rely on certain key personnel and hiring and retaining other qualified personnel to maintain our continued success.

The success of our business is, to a considerable extent, dependent on the services of our core technical personnel and certain members of our senior management. Our core technical personnel, together with certain members of our senior management, have been responsible for the development and our business and have been the key drivers of our strategy and achievements to date. The loss of the services of any key technical personnel and member of our senior management or failure to recruit a suitable or comparable replacement could have a significant impact upon our ability to manage our business effectively and as a result, our business and future growth may be adversely affected.

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Our future success is further dependent upon our continued ability to attract and retain key qualified personnel, who have the necessary experience and expertise. Competition for qualified personnel is intense in the PRC and we may experience difficulties in recruiting suitable personnel. If we cannot recruit and retain the required qualified employees, our capabilities may be limited, which could reduce our profitability and limit our ability to grow.

We may not remain entitled to the preferential tax rate and other preferential treatment applicable to us, which may adversely affect our results of operations and financial condition.

According to the EIT Law and the Regulation on the Implementation of the EIT Law (《中華人民共和國企業所得稅法實施條例》), in general, foreign-invested enterprises and domestic enterprises were subject to a unified enterprise income tax rate of 25%. Furthermore, the PRC EIT Law provides a preferential tax treatment for high and new technology enterprises eligible for key support from the State in the form of a reduced enterprise income tax rate of 15% subject to competent authorities' review and approval. Enterprises qualified as High and New Technology Enterprises (高新技術企業) are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its High and New Technology Enterprise status.

TTG and Luanxian Tangsteel Gases, which are our subsidiaries, were approved as High and New Technology Enterprises in the PRC in 2016 and 2018, respectively. Accordingly, TTG and Luanxian Tangsteel Gases enjoyed a preferential enterprise income tax rate of 15% from 2016 to 2018 and from 2018 to 2020, respectively. The continued qualification as a High and New Technology Enterprise is subject to a three-year review by the relevant authorities in the PRC. Preferential tax treatment granted to our subsidiaries by the local authorities is subject to such review and may be adjusted or revoked at any time. On 10 September 2019, TTG received a renewed certificate of High and New Technology Enterprise and thus the 15% preferential enterprise income tax rate would continue to apply to TTG for another three years from 2019. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our enterprise income tax expenses were approximately RMB30.8 million, RMB32.5 million, RMB38.2 million and RMB21.0 million, respectively. For the same periods, tax effects of preferential income tax rates applicable to TTG and Luanxian Tangsteel Gases in aggregate were approximately RMB7.4 million, RMB15.7 million, RMB19.4 million and RMB9.7 million, respectively.

We may not be able to successfully renew our high and new technology enterprise certificate or continue to enjoy the same preferential tax treatments in the future. In the event that the PRC Government changes its tax policy of supporting new technology development, or TTG and Luanxian Tangsteel Gases cease to be eligible for such preferential tax treatments, we may be subject to higher tax rates. During the Track Record Period, TTG was entitled to claim part of its research and development expenses as tax deductible expenses when determining its assessable profits for the relevant year. Our performance and profitability may be adversely affected by any unfavourable changes, in part or in whole, of the preferential tax policies.

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Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business.

As at 31 December 2017 and 2018, we recorded net current liabilities in the amount of approximately RMB34.2 million and RMB27.5 million, respectively, our net current liabilities as at 31 December 2017 and 2018 was primarily due to our borrowings (which was recorded as current liabilities) of RMB250.0 million and RMB238.0 million as at 31 December 2017 and 2018, respectively. Please refer to the section headed “Financial Information — Discussion of certain items of consolidated balance sheets — Current assets and liabilities” in this prospectus for further details. We may record net current liabilities again in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks associated with our transactions with the HBIS Group.

We are exposed to credit risks of the HBIS Group associated with our collection of trade receivables. Our liquidity and ability to satisfy our working capital are largely dependent on our receipt of timely payments from the HBIS Group.

As at 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our trade receivables were approximately RMB104.7 million, RMB232.3 million, RMB277.8 million and RMB240.1 million, respectively. As at the same dates, approximately 71.8%, 89.5%, 92.8% and 91.9% of the Group’s trade receivables were due from the members of HBIS Group. The credit period granted to our customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience, business relationship with us and other factors. Our average trade receivables turnover days for related parties increased from 28 days in 2017 to 62 days in 2018 and further to 78 days in 2019 and 82 days for the six months ended 30 June 2020, due to the gradual implementations of a new account system by members of the HBIS Group which resulted in their prolonged internal approval and repayment processes. As a result, our average trade receivables turnover days increased from 31 days in 2017 to 54 days in 2018 and further to 72 days in 2019 and 78 days for the six months ended 30 June 2020.

There is no assurance that we will be able to collect our trade receivables in a timely manner or at all. If there is any default or delay in payment by members of the HBIS Group, our profitability, working capital and cash flow may be adversely affected. If the HBIS Group faces unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums from them. Default or delay in payment by members of the HBIS Group may materially and adversely affect our business, financial condition, results of operations and prospects.

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The determination of the fair value changes of our financial assets measured at fair value requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We use significant unobservable inputs in valuing our financial assets measured at fair value, including notes receivable and investment in bank wealth management products. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we did not record changes in fair value of notes receivable. For the same periods, changes in fair value of investment in bank wealth management products were approximately RMB0.3 million, RMB2.0 million, RMB0.3 million and nil, respectively. Such determination of fair value changes requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

Any regulatory change to the industrial gas industry in the PRC may affect our business and our results of operations.

The industry in which we carry on our business is regulated by various PRC laws and regulations, such as the Law of Prevention and Control of Occupational Diseases, the Fire Control Law of the PRC, the Regulations on Safety Management of Hazardous Chemicals, the Law of the PRC on Work Safety, the Regulations on Safe Work Permits, the Administrative Measures for Hazardous Chemicals Business License and the Administrative Measures for the Registration of Hazardous Chemicals. We must therefore observe a large number of national or local laws and regulations that may change frequently and become more stringent. Failure to comply with such laws or regulations may result in fines, suspension of operations, loss of permits or licenses and, in more extreme cases, criminal proceedings against an enterprise and its management within our Group.

In addition, compliance with these changing laws and regulatory requirements in our industry may cause us to incur considerable time and significant expenses, which we may be unable to pass on to our customers through higher prices for our products as we generally enter into long-term contracts with our customers. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We require various licenses and permits to commence, operate or expand our business, and the loss of or failure to obtain or renew any or all of these licenses and permits could materially adversely affect our business and expansion plans.

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain various licenses and permits in order to commence and operate our business at each of our production facilities in the PRC. We are required to comply with the applicable production safety standards in relation to our production processes. Our production plants and facilities are subject to inspections by the regulatory authorities for compliance with the PRC laws and regulations relating to the work safety. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licenses and permits could cause us temporarily or permanently to suspend some or all of our production activities, which could disrupt our operations and adversely affect our business.

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As at the Latest Practicable Date, Luanxian Tangsteel Gases had not successfully obtained certain licences, permits and approvals which were important to its production and provision of service, including amongst others (i) the renewal of the pollutant discharge permit after its expiry on 29 December 2017; (ii) the production safety license; and (iii) the production license of industrial products. As at the Latest Practicable Date, Zhongqi Investment had not obtained the fire design approval before commencement of construction. As advised by our PRC Legal Advisers, there may be legal implications, and we may be ordered to suspend construction, production or operation, where applicable and depending on the circumstances, to discontinue using the construction. Pursuant to the relevant laws and regulations, a maximum fine of approximately RMB2.4 million and RMB0.3 million may be imposed on Luanxian Tangsteel Gases and Zhongqi Investment, respectively, as a result of the non-compliance. For more information, please refer to the section headed “Business — Regulatory compliance” in this prospectus. We are of the view that our business operation will not be materially and adversely affected due to the absence of such certificates, permits and approvals, taking into account the meeting minutes and confirmations issued by the relevant authorities and the advice of our PRC Legal Advisers. However, any future violation of the relevant laws and regulations could result in suspension of production and operation, penalties such as monetary fines, equipment confiscation, and/or revocation of licences that are material and necessary for our business operation, which may materially and adversely affect our business, financial condition and operations.

We are subject to various environmental, fire control, safety and health regulations in the PRC, compliance with which may be difficult or expensive, and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business.

The PRC Government has published extensive environmental, fire control, safety and health regulations with which we are required to comply. Please refer to the section headed “Regulatory Overview” in this prospectus for details of these requirements. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. Non-compliance with the relevant regulations may result in us being ordered to suspend or cease production, or being fined and having income derived from such manufacturing activity confiscated. Given the number and complexity of these regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers and may take significant time which may delay our project construction and operation schedule.

We cannot assure you that the public perception of our business and our brands would not be materially affected in the event of such disputes or that we will be successful in defending such claims. Any negative impact on our reputation could materially and adversely affect our business, financial condition, results of operations and prospects.

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We may be involved in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

We have limited insurance coverage.

We face various risks in connection with our businesses and may not have adequate insurance coverage or may have no relevant insurance coverage. We may be held liable for losses, damages or injuries caused to third parties or their properties by an accident caused by us. While we generally maintain all risks property insurance and machine damage insurance to cover our main fixed assets and plant and equipment, we do not maintain third party insurance in respect of our operations as it is neither industry practice nor a mandatory requirement under PRC law. We believe that our insurance coverage is sufficient for our present purposes and is consistent with coverage for other companies in our industry in China. Please refer to the section headed "Business — Insurance" in this prospectus for more details. The occurrence of certain events including explosions and fire may result in an interruption to our operations and cause substantial losses or liabilities. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our financial condition and results of operations may be materially and adversely affected.

We may not successfully protect our know-how.

We adopt commercially sound procurement practices and use our technological know-how to lower initial capital expenditure and maximise operational efficiency across our operations. Our know-how is based on the past experience of our senior management team in the industrial gas industry in relation to the operation of our production equipment. We understand that such know-how cannot be registered in the PRC, and therefore we rely on confidentiality obligations on our employees to protect this know-how. We have been advised by our PRC Legal Advisers that our know-how could be registrable in the PRC only if it satisfies the criteria to be registered as a patent. There can be no assurance that any of our know-how will not be misappropriated by or disclosed to or re-engineered by third parties, or that our competitors will not independently develop alternative technologies that are equivalent or superior to our technologies.

In addition, the legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights and know-how in China may differ from those in other more developed jurisdictions. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products which exploit our intellectual property rights.

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Failure to protect or enforce our intellectual property rights could harm our business and operating results.

Our success partly depends on our ability to use and develop our patents, copyrights, trademarks, domain names, know-how and brand name without infringing upon the intellectual property rights of third parties. As at the Latest Practicable Date, TTG had 52 utility patents and 11 software copyrights in respect of the industrial gas production process. We also had four trademarks registered in the PRC and had registered five domain names as at the Latest Practicable Date. We strive to protect our intellectual property rights by relying on applicable legal rights under PRC law, as well as contractual restrictions. We typically enter into confidentiality agreements with our employees and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others and halt any copycat attempts. We may be in the future involved in intellectual property infringement claims. The defence of intellectual property claims, including infringement lawsuits and related legal and administrative proceedings, can be both costly and time consuming and may significantly divert the efforts of our management personnel and our financial resources. Furthermore, an adverse determination in any such litigation or proceeding to which we may become a party could cause us to pay damage awards, seek licences from third parties, or be restricted by injunctions. These factors could distract or prevent us from pursuing some or all of our business operations, which may have a material and adverse effect on our business, financial condition and results of operations.

Mr. Chen and OxyChina may cease to be our Controlling Shareholders if Huang He enforces the Share Charges, which could have a negative impact on the control of Mr. Chen and OxyChina in the operations of our Company and in turn our business, operation and financial results.

Mr. Chen (one of our founders) is beneficially interested in 70.0% in OxyChina, which is beneficially interested in 20.0% of the issued share capital of CGI, which in turn is beneficially interested in approximately 52.01% of the issued share capital of our Company as of the date of this prospectus and approximately 39.01% of the issued share capital of our Company immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). As Huang He and OxyChina restrict their ability to exercise direct control over our Company by holding their interests through CGI, a common investment holding company, OxyChina is presumed to be a Controlling Shareholder (together with Huang He and its general partner) pursuant to the Guidance Letter HKEx-GL89-16. Mr. Chen is in turn a Controlling Shareholder by virtue of his controlling interest in OxyChina.

As at the date hereof, Mr. Chen has pledged all his shares in OxyChina and OxyChina has pledged all its shares in CGI, pursuant to the respective share charges dated 25 July 2011 in favour of Eastern Sky Limited (as security agent acting on behalf of Huang He) as security to loans provided by Huang He in March 2011 to each of CGI and OxyChina, respectively (the “**Share Charges**”). As at the Latest Practicable Date, the total amounts payable by OxyChina and CGI, respectively, to Huang He under the Loan and Share Subscription Agreement and the CGI Loan Agreement, including the principal amounts of the loans and any interest payable thereunder, were approximately US\$124.3 million and approximately US\$25.6 million, respectively. Since 20 August 2016, Huang He has had

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the right to enforce the Share Charges, and they had not done so as at the Latest Practicable Date. On 21 October 2020, each of Huang He and Eastern Sky Limited irrevocably and unconditionally undertook to our Company and the Stock Exchange that, save as permitted under the Listing Rules or the Stock Exchange, each of them shall not enforce any part of the respective powers, privileges or rights (either beneficial or legal) under the Share Charges (i) from the date thereof until the Listing Date, if such enforcement shall result in the Company's failure to comply with Rule 8.05 (1)(c) of the Listing Rules in respect of the ownership continuity and control; and (ii) subject to the Listing, if such enforcement shall result in Mr. Chen and/or OxyChina's breach of any of their respective Controlling Shareholders' lock-up undertakings pursuant to Rule 10.07 undertakings given to the Company and the Stock Exchange (the "**Undertaking**"). For details, please refer to the section headed "History, Reorganisation and Corporate Structure — Overview" in this prospectus. After the Undertaking ceases to have effect, Huang He and Eastern Sky will be entitled to enforce any part of their respective powers, privileges or rights (either beneficial or legal) under the Share Charges. If Huang He indeed enforces the Share Charges, Mr. Chen and OxyChina may cease to be the Controlling Shareholders, which could have a negative impact on the control of Mr. Chen and OxyChina and Mr. Chen's long-term incentive in developing our Group's business, in which case, the operation and financial results of our Company could be adversely affected.

We face competition from other market players.

The market for industrial gas supply in the PRC is characterised by strong competition. According to the Frost & Sullivan Report, the industrial gas market in China is relatively fragmented, with top five players accounted for 29.3% of total revenue of industrial gas suppliers in 2019 and there are around 8,000 industrial gas suppliers in the PRC's industrial gas market. For supply of pipeline industrial gas, the suppliers are by nature required to be located on or in close proximity to the production sites of their customers. For supply of liquefied industrial gas, there is a limited coverage area in which any supplier can supply to its customers within a typical coverage of approximately 250km to 300km radius given the cost and suitability of transportation. Given the geographic restrictions of the industrial gas market, market share in regions where a supplier is already present with production plants can generally only be expanded or maintained by very competitive price, efficient and reliable supply and maintaining good relationship with customers to displace competitors. Large suppliers, in particular, may therefore seek to gain or maintain market shares by offering low prices and attractive payment terms to new customers. This means that we may be subject to pricing competition, and as a result, we may be under pressure to reduce the prices of our industrial gas products or margins for the products and services we offer. In addition, we face increasing competition from various small-scale local suppliers in different regions across the PRC in connection with our liquefied industrial gas products.

The trend in China towards outsourcing pipeline industrial gas supplies may also lead to an increase in competition and new entrants into the industrial gas market. New suppliers may enter the market and existing suppliers may expand their capacities in order to capture the increasing demand for outsourcing pipeline industrial gas supplies.

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Some of our competitors, especially international competitors, may have advantages over us in obtaining new customers in terms of more advanced equipment, a wider variety of product offering, established brand history and global networks, while some smaller domestic competitors may have advantages over us in terms of establishing local customer connections in the region where they primarily operate.

Our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved industrial gas products. There can be no assurance that our current or potential competitors will not offer industrial gas products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving industry trends or changing market conditions. We may lose our customers to our competitors if, among other things, we fail to keep our prices at competitive levels or sustain and upgrade our capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share and as a result, our results of operations and financial condition may be adversely affected.

In addition, while we endeavour to develop further the range of our product offerings and improve our production processes, our competitors may develop their product offerings and technologies or alternative industrial gas products that are more attractively priced or are of better quality than our products. If newly developed industrial gas products can be offered at prices more attractive than ours, or if such industrial gas products are more attractive than ours for other reasons, demand for our industrial gas products may fall, which may have a material adverse effect on our financial condition and results of operations.

Our business operations are subject to operational risks relating to hazardous chemicals.

Our industrial gas products and LNG are considered hazardous chemicals and we produce and store these hazardous chemicals on daily basis during our ordinary course of business. Improper handling of industrial gas products and LNG may cause serious environmental pollutions, cause health and safety issues for our employees, result in production interruptions or result in harm to the environment or natural resources. We cannot assure you that we are always insured for any of these risks or that if insured, we will be successful in making claim under our insurance policies or that the claimed funds will be sufficient to compensate the actual damages suffered, or at all. Any of these events may also lead to civil litigation, administrative fines or penalties. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments, in addition to possible administrative fines or penalties. Furthermore, we may be forced to shut down certain production facilities or suspend our operations due to government investigation or government requirements to implement additional safety measures. Such legal claims, administrative fines, penalties and business suspension may have an adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects are affected by the economic, political and legal developments in the PRC. In particular, the PRC Government continues to exercise significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. Since late 2003, the PRC Government has implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC Government has loosened such requirements. In response to the global financial crisis and economic downturn, the PRC Government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the People's Bank of China statutory deposit reserve ratio and lowering benchmark interest rates.

In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC Government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained or is sustainable. In addition, an unfavourable financial or economic environment in recent years, including as a result of continued global financial uncertainties and the tension of trade war between China and the United States have had and may continue to have an adverse impact on investors' confidence and financial markets in China. Moreover, concerns over capital market volatility, issues of liquidity, inflation, geopolitical issues, the availability and cost of credit and concerns about the rate of unemployment have resulted in adverse market conditions in China, which may materially and adversely affect our business and operations.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the

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relative value of any dividend issued by our PRC operating subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

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PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds from the Global Offering to make loans or additional capital contributions to our subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, any foreign loan procured by our PRC operating subsidiaries is required to be registered with the SAFE or its local branches, and our PRC operating subsidiaries may not procure foreign loans which exceed the difference between their registered capital and their total investment amount. Any medium or long term loan to be provided by us to our PRC operating subsidiaries must be registered with the SAFE or its local branches and other relative authorities. We may not complete such legal procedures on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC operating subsidiaries. If we fail to complete such legal procedures, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely affect our PRC operating subsidiaries liquidity of our PRC operating subsidiaries and our ability to fund and expand our business.

Currently, according to the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which was implemented on 23 October 2019, apart from foreign-invested enterprises engaged in investment business, foreign-invested enterprises engaged in other businesses are also permitted to make domestic equity investments with their capital funds under the condition that the Negative List is not violated and the relevant domestic investment projects are true and complied with. Since SAFE may promulgate regulations to administrate the payment and settlement of foreign currency capital of foreign invested enterprise, and the regulations and practice of administration of the payment and settlement of foreign currency capital of foreign invested enterprise may be different from time to time, these regulations may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering and any offering of additional equity securities in the PRC, which may adversely affect our business, financial condition and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

PRC laws and regulations are based on written statutes, and past court judgments may be cited only for reference. Since 1979, the PRC Government has committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing economic matters, such as in foreign investment, company organisation and management, business, tax and trade. However, as these laws and regulations are still evolving, and due to the limited number and non-binding nature of published cases, the interpretations of many laws, regulations and rules are not always consistent and enforcement of these laws, regulations and rules may involve uncertainties.

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In particular, PRC laws and regulations concerning the industrial gas and liquefied natural gas industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and to avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC Government may promulgate new laws and regulations regulating the industrial gas and liquefied natural gas industry in the future. We cannot assure you that our business would not be deemed to violate any new PRC laws or regulations relating to manufacturing and trading of industrial gas and liquefied natural gas. Moreover, developments in the industrial gas and liquefied natural gas industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict industrial gas and liquefied natural gas companies like us, which may materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative authorities and courts have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and to evaluate the level of legal protection we enjoy compared with more developed legal systems. Furthermore, the PRC legal system is heavily based on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in the PRC may materially and adversely affect our business and impede our ability to continue our operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.

On 8 August 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was amended on 22 June 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions establish procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that the MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-Monopoly Law (《反壟斷法》) promulgated by the Standing Committee of the National People’s Congress on 30 August 2007 and effective as at 1 August 2008 and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings effective as at 3 August 2008 (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within the PRC, or (ii) the total turnover within the PRC of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these

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operators each had a turnover of more than RMB400 million within the PRC) must be notified and cleared by the MOFCOM before they can be completed. In addition, on 3 February 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defence and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the MOFCOM Security Review Rules, to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定》) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on 1 September 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Complying with the requirements of the above-mentioned regulations and other relevant rules to complete merger and acquisition transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defence and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC may be closely scrutinised or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC EIT Law, which came into effect on 1 January 2008 and was revised on 29 December 2018, enterprises established outside China whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and their global income would generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On 22 April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in the PRC. In addition, on 3 August 2011, the SAT issued Administrative Measures on Income Taxes of Resident

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Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Resident Enterprise Administrative Measures, which became effective as at 1 September 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for the company of our type. It remains unclear how PRC tax authorities will determine the tax residency status of companies like ours. If the PRC authorities were to subsequently determine, or any future regulation provides, that we or any of our subsidiaries registered outside of China should be treated as a PRC resident enterprise, we or such subsidiaries would be subject to a 25% corporate income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law, relevant rules and regulations, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (i.e., those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the dividends we pay to our Shareholders are regarded as income derived from sources within the PRC, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise Shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realised on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

The relevant PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities, or otherwise adversely affect our financial position.

SAFE issued the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”) on 4 July 2014. SAFE Circular 37 requires Chinese residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the Chinese residents, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a Chinese resident does not complete the registration with the local SAFE

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branches, apart from the liability on such Chinese resident, the Chinese subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted from contributing additional capital to its Chinese subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the Chinese subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive; and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On 13 February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知 (“**SAFE Circular 13**”), which came into effect on 1 June 2015, pursuant to which, local banks must review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

Certain indirect minority Shareholders of the Group are Chinese residents who are subject to such registration requirements under SAFE Circular 37. However, they have not completed their registration under SAFE Circular 37. There is uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. Due to the uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to procure those Shareholders who are subject to the regulation to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our ability to contribute additional capital into our PRC subsidiaries, or limit our PRC subsidiaries’ ability to pay dividends or make distributions or other payments to our Company or affect our ownership structure, which could adversely affect our business, financial position and prospects. Moreover, failure to comply with the SAFE registration requirements by our Shareholders could result in liabilities under PRC laws for evasion of foreign exchange restrictions.

As the interpretation and implementation of these foreign exchange regulations have been constantly evolving and may be uncertain under certain circumstances, it is unclear how these regulations and any future regulations concerning offshore transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our business, financial condition and results of operations. In addition, if the Company decides to acquire a PRC

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domestic company, we cannot assure you that our Company or the Shareholders of our Company, as the case may be, will be able to obtain the necessary approvals of completing the necessary filings and registrations, which could adversely affect our business, financial condition and results of operations.

Certain judgments obtained against us, our Directors or officers by our Shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands while substantially all of our assets are located in China and all of our current operations are conducted in the PRC. In addition, the majority of our Directors and officers are PRC nationals and residents in the PRC and substantially all assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring legal action against us or our PRC resident officers and Directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”) issued by the SAT in December 2009 with retroactive effect from 1 January 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On 3 February 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Public Notice 7**”). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698. SAT Public Notice 7 has introduced a new tax regime that is

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significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set out under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbours for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On 17 October 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Public Notice 37**”), which, among others, repeals the Circular 698 on 1 December 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT Public Notice 37 and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and SAT Public Notice 37, which may have a material adverse effect on our financial condition and

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results of operations or such non-resident investors' investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then Shareholders to our current Shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains could cause us to incur additional costs and may have a negative impact on the value of your investment in us.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, no public market for our Shares existed. The initial issue price range for our Shares was the result of negotiations among us and the Sole Representative (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, mainland China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. The stock prices of a number of PRC-based companies recently listed in Hong Kong experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

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Since there will be a gap of several days between the pricing and trading of our Shares, holders of the Shares are subject to the risk that the price of Shares could fall during the period before trading of Shares begins.

The Offer Price of the Offer Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period between the Price Determination Date and the Listing Date and hence are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, senior management and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Prior dividend distributions are not an indication of our future dividend and dividend policy.

On 3 August 2016, our Company declared a dividend and recorded a dividend payable of approximately RMB60.1 million to our Shareholders which was paid in cash by end of December 2016. On 8 August 2018, our Company declared a dividend for the year ended 31 December 2016 and recorded a dividend payable of approximately RMB29.8 million to our Shareholders, of which approximately RMB14.9 million was paid in cash in September 2018 and the remaining of RMB14.9 million will be settled before Listing. We declared a total dividend of approximately RMB267.7 million on 20 October 2020 which will be paid upon Listing and funded by cash and cash equivalent of approximately RMB299.5 million as at 31 August 2020. The unaudited pro forma net tangible assets per Share would substantially decrease had the dividend of approximately RMB267.7 million declared on 20 October 2020 and paid upon Listing been taken into account.

The amount of future dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board of Directors has the absolute discretion to recommend any dividend. Subject to, among others, the factors described above, our Board of Directors currently intend to recommend dividends of no less than 40% of our net profit available for distribution to our Shareholders in the foreseeable future. Any declaration and payment as well as the amount of dividends will also be subject to our

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Articles of Association and the PRC laws. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, please refer to the section headed “Financial Information — Dividend and dividend policy” in this prospectus.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among others, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will continue to have substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association, the Companies Law and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of the other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be at a disadvantage and harmed.

Granting options under the Share Option Scheme may affect our Group’s results of operation and dilute Shareholders’ percentage of ownership.

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect our Group’s results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option had been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please refer to the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus.

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Certain data and information in this prospectus were obtained from third-party sources and were not independently verified by us.

This prospectus contains certain data and information that we obtained from various government and private entity publications. Statistical data in these publications also include projections based on a number of assumptions. The industrial gas industry in China may not grow at the rate projected by market data, or at all. The failure of our industry to grow at the projected rate may have a material adverse effect on our business. In addition, the complex and changing nature of the broad macroeconomic factors discussed in this prospectus may result in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions.

We have not independently verified the data and information contained in such third-party publications and reports. Data and information contained in such third-party publications and reports may be collected using third party methodologies, which may differ from the data collection methods used by us. In addition, these industry publications and reports generally indicate that the information contained therein was believed to be reliable, but do not guarantee the accuracy and completeness of such information.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility from them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In making your investment decision regarding our Shares, you should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two executive Directors must be ordinarily resident in Hong Kong.

Our principal business and operations are primarily located, managed and conducted in the PRC through our main PRC operating subsidiaries. None of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong, and they will continue to be based in the PRC after Listing. Further, as each of the executive Directors has a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Accordingly, we do not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 of the Listing Rules.

For the reasons set out above, our Directors consider that it would be practically difficult, unduly burdensome and not commercially feasible for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements set out in Rules 8.12 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

- (i) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. Our two authorised representatives are Mr. Chen, our executive Director and Chairman of the Board, and Ms. Siu Wing Kit, our company secretary. Each of our two authorised representatives will act as our principal channel of communication with the Stock Exchange;
- (ii) any meeting between the Stock Exchange and our Directors will be arranged through our authorised representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorised representatives and our compliance adviser;
- (iii) each of our authorised representatives will be available to meet the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iv) each of our authorised representatives has means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and the Directors, our Company has implemented a policy whereby (a) each Director will provide his or her office phone numbers, mobile phone numbers, residential phone numbers, office facsimile numbers and email addresses to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he or she travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange;
- (v) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time;
- (vi) our Company, in accordance with Rule 3A.19 of the Listing Rules, has appointed China Everbright Capital Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that China Everbright Capital Limited shall have access at all times to our authorised representatives, Directors and members of the senior management. Our Company will also procure that such persons provide promptly to China Everbright Capital Limited such information and assistance as it may need or may reasonably request in connection with the performance of the compliance adviser's duties as set out in Chapter 3A of the Listing Rules. China Everbright Capital Limited will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results and its annual report for the first full financial year following the Listing; and
- (vii) we will also retain legal advisers to advise on on-going compliance requirements, other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after Listing.

In these circumstances, our Company and Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of the executive Directors and believe that the arrangements set out above are sufficient to maintain effective communication between our Company and the Stock Exchange. Our Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into, and expects to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver in relation to such continuing connected transactions between us and the connected persons under Chapter 14A of the Listing Rules.

For further details of such non-exempt continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Issuer	CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.
The Global Offering	<p>The Global Offering of (i) Hong Kong Public Offering of 30,000,000 Offer Shares (subject to reallocation) and (ii) International Offering of 270,000,000 Offer Shares (subject to reallocation and the Over-allotment Option)</p> <p>If the Over-allotment Option is exercised, our Company will be issuing up to 45,000,000 new Shares</p>
Offer Price range	Not more than HK\$1.77 and not less than HK\$1.37 per Share
Stock borrowing arrangements	The Stabilising Manager or any person acting for it may borrow from CGI up to 45,000,000 Shares
Over-allotment Option	Up to 45,000,000 additional new Shares to be issued by our Company
Total number of issued Shares immediately upon the Global Offering	1,200,000,000 Shares (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme)
Procedure for application for the Hong Kong Offer Shares	Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus
Lock-up undertakings by our Company and the Controlling Shareholders	Please refer to the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules” and “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this prospectus
Share Registrar	Our principal register of members will be maintained in the Cayman Islands by our Cayman Islands principal share registrar, Conyers Trust Company (Cayman) Limited, and our Hong Kong register of members will be maintained in Hong Kong by the Hong Kong Share Registrar, Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Stamp duty

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares

Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands

Application for Listing on the Stock Exchange

Application has been made to the Listing Committee for the granting of, the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation

Eligibility for CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

	<p>Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests</p> <p>All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time</p>
Language	<p>If there is any inconsistency between the English version and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name shall prevail</p>
Rounding of figures	<p>Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them</p>
Currency translation	<p>Solely for your convenience, this prospectus contains translation of certain Renminbi amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation between Renminbi and Hong Kong dollars has been made at the rates of RMB0.8800 to HK\$1.00; the translation between Hong Kong dollars and U.S. dollars has been made at the rate of HK\$7.7499 into US\$1.00 as at 30 September 2020</p>
Commencement of dealing in the Shares	<p>Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Tuesday, 10 November 2020. Shares will be traded in board lots of 2,000 Shares each</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
David T Chen (陳大維)	Unit 902, Building 7 Lane 588, Ma Dang Road Huangpu District Shanghai PRC	American
Yao Li (姚力)	Room 401, 4th Door Building No. 120 Tianyuan Junjing Lubei District Tangshan, Hebei Province PRC	Chinese
Gao Guimin (高貴敏)	105-2-302, Yijia Garden Yuhua Road, Lubei District Tangshan, Hebei Province PRC	Chinese
<i>Non-executive Directors</i>		
Zhang Aimin (張愛民)	5-1-901, Zijin Yuyuan Lubei District Tangshan, Hebei Province PRC	Chinese
Lai Yui (黎韻)	Flat A, 14/F, Block 2 Grand Garden 61 South Bay Road Hong Kong	Chinese
Ng Shuk Ming (伍淑明)	Room B, 24/F, Block 4 Provident Centre Wharf Road North Point Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Siu Chi Hung (蕭志雄)	Flat C, 5/F, Block 18 Phase C Village Gardens 44 Fa Po Street Kowloon Tong Hong Kong	Chinese
Xiao Huan Wei (肖煥偉)	Room 2203, Block No.1 Lane 555 Gubei Road Changning District Shanghai PRC	Australian
Li Chun Elsy (李雋)	Flat C, 2/F Blessings Garden Phase II 56 Conduit Road the Mid-Levels Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor**China Everbright Capital Limited**

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Joint Global Coordinators**China Everbright Securities (HK) Limited**

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

AMTD Global Markets Limited

23/F-25/F, Nexxus Building
41 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Joint Bookrunners**China Everbright Securities (HK) Limited**

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

AMTD Global Markets Limited

23/F-25/F, Nexxus Building
41 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Industrial Securities International Capital Limited

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited

18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Soochow Securities International Brokerage Limited

Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Sunfund Securities Limited

18/F, Hip Shing Hong Centre
55 Des Voeux Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

China Everbright Securities (HK) Limited

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

AMTD Global Markets Limited

23/F-25/F, Nexxus Building
41 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Industrial Securities International Capital Limited

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**China Securities (International) Corporate Finance
Company Limited**

18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

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22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

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Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Sunfund Securities Limited

18/F, Hip Shing Hong Centre
55 Des Voeux Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2, 13/F, United Centre
No.95 Queensway
Hong Kong

Legal advisers to the Company

As to Hong Kong law

Eversheds Sutherland

37/F, One Taikoo Place
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<i>As to PRC law</i> Zhong Lun Law Firm 10-11/F, Two IFC 8 Century Avenue Pudong New Area Shanghai PRC
	<i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law</i> Hogan Lovells 11th Floor, One Pacific Place 88 Queensway Hong Kong
	<i>As to PRC law</i> Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing PRC
Auditor and Reporting Accountant	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 22/F, Prince's Building Central Hong Kong
Industry Consultant	Frost & Sullivan International Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Principal Place of Business and Head Office in the PRC	No. 9 Binhe Road Lubei District Tangshan Hebei Province PRC
Registered Office in Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	www.cgiiholdings.com <i>(The contents of this website do not form part of this prospectus)</i>
Company Secretary	Ms. Siu Wing Kit (蕭穎潔) <i>(a member of The Hong Kong Institute of Chartered Secretaries)</i> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised Representatives (under the Listing Rules)	Mr. David T Chen (陳大維) No. 9 Binhe Road Lubei District Tangshan Hebei Province the PRC Ms. Siu Wing Kit (蕭穎潔) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Siu Chi Hung (蕭志雄) (<i>chairman</i>) Mr. Zhang Aimin (張愛民) Mr. Xiao Huan Wei (肖煥偉)
Remuneration Committee	Mr. Xiao Huan Wei (肖煥偉) (<i>chairman</i>) Ms. Gao Guimin (高貴敏) Mr. Siu Chi Hung (蕭志雄)

CORPORATE INFORMATION

Nomination Committee	Mr. David T Chen (陳大維) (<i>chairman</i>) Mr. Yao Li (姚力) (<i>vice-chairman</i>) Mr. Xiao Huan Wei (肖煥偉) Mr. Siu Chi Hung (蕭志雄) Ms. Li Chun Elsy (李雋)
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Compliance Adviser	China Everbright Capital Limited 12/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
Principal Banks	Bank of China (Macau branch) 18/F, Bank of China Building Avenida Doutor Mario Soares Macau Bank of China (Tangsteel branch) No. 23 Gangchang Avenue Lubei District Tangshan Hebei Province PRC

INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (other than Frost & Sullivan) have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of China's industrial gas and LNG products market. We agreed to pay Frost & Sullivan a fee of HKD972,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included primary interviews and secondary research. Primary interviews are conducted with relevant institutions and industry players to obtain factual data and prospective predictions. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from PRC Government departments, and market research on industry and enterprise player information issued by our other industry players.

PARAMETERS AND ASSUMPTION

The Frost & Sullivan Report was compiled based on the following parameters and assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable from 2020 to 2024; and (iii) economic development and favourable policy environment will drive demand from downstream industries and increasing outsourcing of industrial gas production.

OVERVIEW OF CHINA'S MACROECONOMY

According to the National Bureau of Statistics of China, the Chinese economy grew at a CAGR of 9.0% from 2014 to 2019. According to the International Monetary Fund (IMF), the Chinese economy is forecasted to keep growing at a CAGR of 8.1% from 2019 to 2024. The Jing-Jin-Ji Region, consisting of Beijing, Tianjin and Hebei province, is the largest urbanised megalopolis region in North China. Over the past years, the nominal GDP in the Jing-Jin-Ji Region increased from approximately RMB6.6 trillion in 2014 to approximately RMB8.4 trillion in 2019 with a CAGR of 4.9%. Going forward, the nominal GDP in the Jing-Jin-Ji Region is forecasted to keep growing at a CAGR of 5.2% from 2019 to 2024 and reach approximately RMB10.8 trillion in 2024.

The total fixed asset investment in China increased from approximately RMB51.3 trillion in 2014 to approximately RMB56.1 trillion in 2019, representing a CAGR of 1.8%. The total fixed asset investment in China is predicted to reach approximately RMB65.9 trillion in 2024, growing at a CAGR of 3.3% from 2019. The total fixed asset investment in the Jing-Jin-Ji Region increased from approximately RMB4.5 trillion in 2014 to approximately RMB5.7 trillion in 2019, representing a CAGR of 4.8%. The total fixed asset investment in the Jing-Jin-Ji Region is forecasted to reach approximately RMB7.5 trillion in 2024, growing at a CAGR of 5.6% from 2019.

INDUSTRY OVERVIEW

CHINA'S INDUSTRIAL GAS INDUSTRY

Industrial Gas

Industrial gas can be classified into the following two categories:

- Air gases: elemental gases separated from air including nitrogen (N₂), oxygen (O₂), argon (Ar), helium (He), neon (Ne), krypton (Kr), xenon (Xe) and radon (Rn); and
- Special Gases: Gaseous chemical compounds, such as SiH₄, As, P, Br, HCl, HF, SF₆, NH₃, CO₂, etc.

Value Chain Analysis

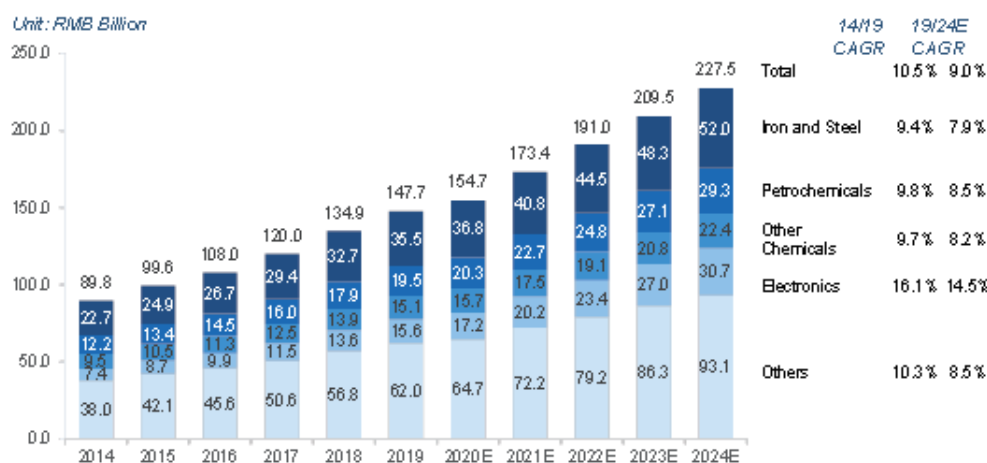
The following table sets forth different types of industrial gas products used in various industries:

Industry	Iron and Steel	Petrochemical	Other Chemicals	Electronics
Major Industrial Gases Used	Oxygen Nitrogen Argon Hydrogen	Oxygen Nitrogen Hydrogen Carbon Monoxide	Oxygen Nitrogen Hydrogen Carbon Monoxide Fuel Gases	Nitrogen Argon Special Gases

The major downstream industries for industrial gas are iron and steel, petrochemical, other chemicals and electronics, in which oxygen and nitrogen are the two largest industrial gas products by consumption volume. In 2019, industrial gases used for iron and steel industry accounted for approximately 24.0% of the total market in China. The revenue generated from iron and steel industry grew from approximately RMB22.7 billion in 2014 to approximately RMB35.5 billion in 2019, representing a CAGR of approximately 9.4%, and is expected to grow to approximately RMB52.0 billion in 2024, representing a CAGR of approximately 7.9%.

In 2019, industrial gas used for petrochemicals accounted for 13.2% and other chemicals accounted for approximately 10.2% of the total market of industrial gas. Industrial gas used for electronics accounted for 10.6% of the total market of industrial gas. With the wider application of industrial gas in fields such as semiconductors, healthcare, photovoltaic industry, frozen food industry, etc., revenue generated from other segments accounted for approximately 42.0% of the total market of industrial gas in 2019.

**Market Size of Industrial Gas Industry in terms of Revenue,
Segmented by Downstream Industries (China), 2014 - 2024E**



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Distribution Model of Industrial Gas

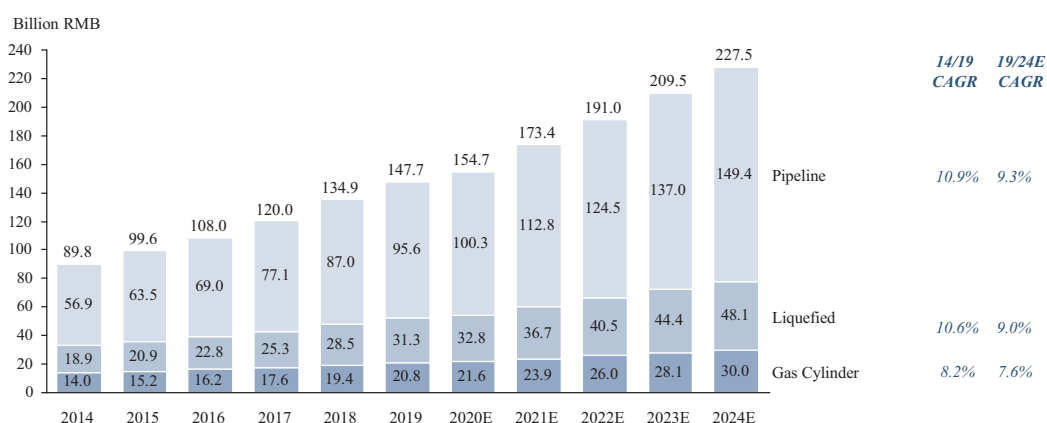
There are three distribution models of industrial gas as follows:

- Pipeline gases are gaseous materials supplied through pipelines. The suppliers are located on or in close proximity to the production site of their customers. For large customers such as steelworks or oil refineries, on-site plants are generally used to ensure the stable supply of large amounts of industrial gas.
- Liquefied gases are delivered by truck. There is a limited coverage area in which any supplier can supply its customers given the cost of transportation and considering the reliability, stability and efficiency of the supply. The economic transportation radius is normally around 250-300km, depending on the cost of transportation and the price of the industrial gas products in target markets.
- Gases sold in gas cylinders are offered to customers who need only small amounts of industrial gas, either in the form of liquid or gas. Special Gases, due to their high value and chemical property, are delivered to customers by either cylinders or dewars. Distance is not a constraint for the special gases. High quality special gases are shipped worldwide.

Pipeline industrial gas accounts for approximately 64.7% of the total market of industrial gas production in China in 2019. The segment is likely to experience gradual growth due to higher demand of outsourcing on-site gas production by downstream customers. Revenue of pipeline industrial gas increased from approximately RMB56.9 billion in 2014 to approximately RMB95.6 billion in 2019, representing a CAGR of approximately 10.9%, and is expected to increase from approximately RMB95.6 billion in 2019 to approximately RMB149.4 billion in 2024 at a CAGR of approximately 9.3%.

Liquefied industrial gas accounts for approximately 21.2% of the total market of industrial gas production in 2019. The revenue of liquefied gases increased from approximately RMB18.9 billion in 2014 to approximately RMB31.3 billion in 2019, representing a CAGR of approximately 10.6% and is forecasted to increase to approximately RMB48.1 billion in 2024 at a CAGR of approximately 9.0%. Gas cylinder accounts for approximately 14.1% of the total market of industrial gas production in 2019. The revenue of gas cylinder increased from approximately RMB14.0 billion in 2014 to RMB20.8 billion in 2019 at a CAGR of approximately 8.2%, and is forecasted to increase at CAGR of approximately 7.6%, reaching approximately RMB30.0 billion in 2024.

**Market Size of Industrial Gas in Terms of Revenue,
Segmented by Type (China), 2014 - 2024E**



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Size of China's Industrial Gas Industry

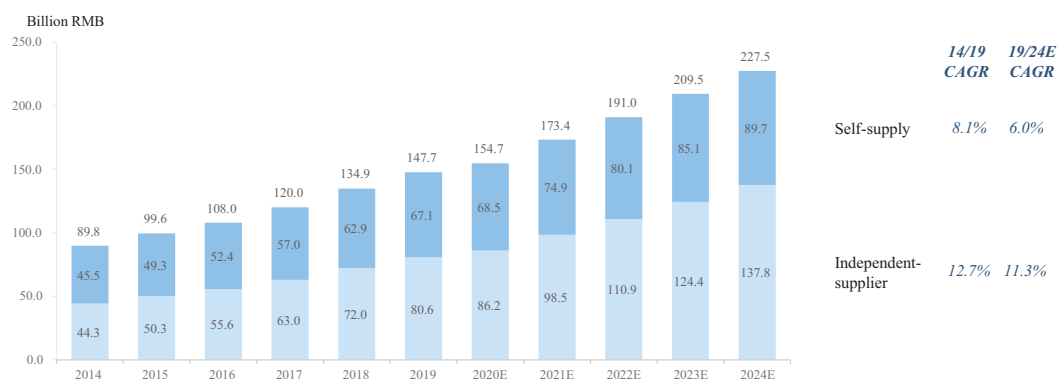
The industrial gas market in China increased from approximately RMB89.8 billion to approximately RMB147.7 billion from 2014 to 2019, representing a CAGR of approximately 10.5%. The market was mainly driven by the stably growing macro economy of China, and the development of downstream industries in which industrial gas plays a crucial role in the production processes, such as iron and steel, chemicals, etc.

Going forward, the market is forecasted to keep growing along with the further growing demand from downstream industries and wider application of industrial gas in various industries. The market is expected to grow from approximately RMB147.7 billion in 2019 to approximately RMB227.5 billion in 2024 at a CAGR of approximately 9.0% during the period.

Outsourcing Market of China's Industrial Gas Industry

The market of industrial gas can be segmented into two sectors of self-supply and independent supplier based on the companies' ownership. Historically, large downstream customers, especially the state-owned steelworks and chemical enterprises, mostly relied on their self-owned and operated air separation facilities. However, given that industrial gas are commodities, in order to be more efficient and cost-effective, an increasing number of downstream companies have started to outsource their industrial gas needs to independent-suppliers. Thus, the revenue of independent supplier increased from RMB44.3 billion in 2014 to RMB80.6 billion in 2019 with a CAGR of approximately 12.7%, and is expected to grow from RMB80.6 billion in 2019 to RMB137.8 billion in 2024 with a CAGR of approximately 11.3%.

**Market Size of Industrial Gas in Terms of Revenue,
Segmented by Company Ownership (China), 2014 - 2024E**



Source: Frost & Sullivan

Note: Independent supplier refers to the industrial gas supplier which is 50% or more owned by independent supplier but not by the owner of downstream users.

Market Size of the Jing-Jin-Ji Region's Industrial Gas Industry

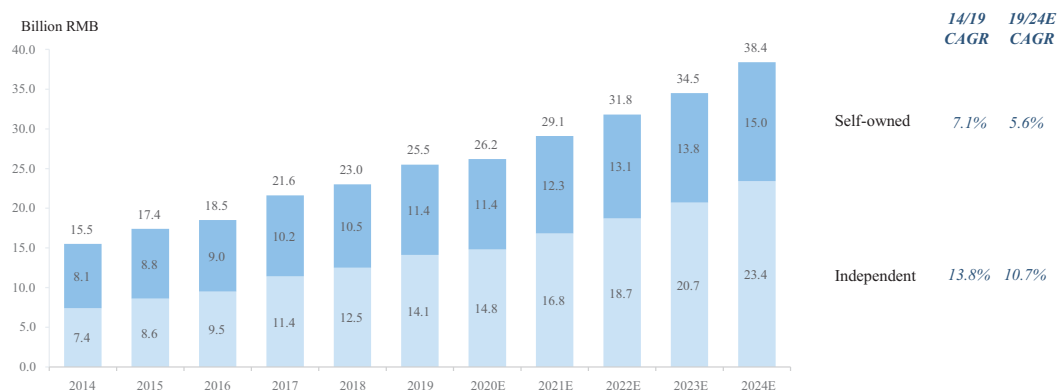
The Jing-Jin-Ji Region is one of the leading production bases of iron and steel in China. In 2019, the total amount of iron and steel produced in the Jing-Jin-Ji Region accounted for approximately one fourth of the total production of iron and steel in China. The market size of the Jing-Jin-Ji Region's industrial gas industry was approximately RMB25.5 billion in 2019, accounting for around 17.3% of the market size of China's industrial gas industry.

The revenue of industrial gas generated in the Jing-Jin-Ji Region grew from approximately RMB15.5 billion in 2014 to approximately RMB25.5 billion in 2019, representing a CAGR of approximately 10.5%. The growth is mainly driven by the development of downstream industries. The revenue is expected to increase to approximately RMB38.4 billion in 2024, showing a CAGR of approximately 8.5% from 2019 to 2024.

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Compared with the nation-wide consumption of industrial gas, iron and steel industry accounts for a higher proportion of the Jing-Jin-Ji Region's downstream application, as Hebei Province is the largest iron and steel production base in China. The segment accounted for 46.0% of the total consumption market in the Jing-Jin-Ji Region in 2019. Petrochemical, other chemicals and electronics accounted for 10.0%, 8.7% and 8.5% respectively. Other industries accounted for 26.8% in 2019.

**Market Size of Industrial Gas in Terms of Revenue,
Segmented by Company Ownership (the Jing-Jin-Ji Region), 2014 - 2024E**

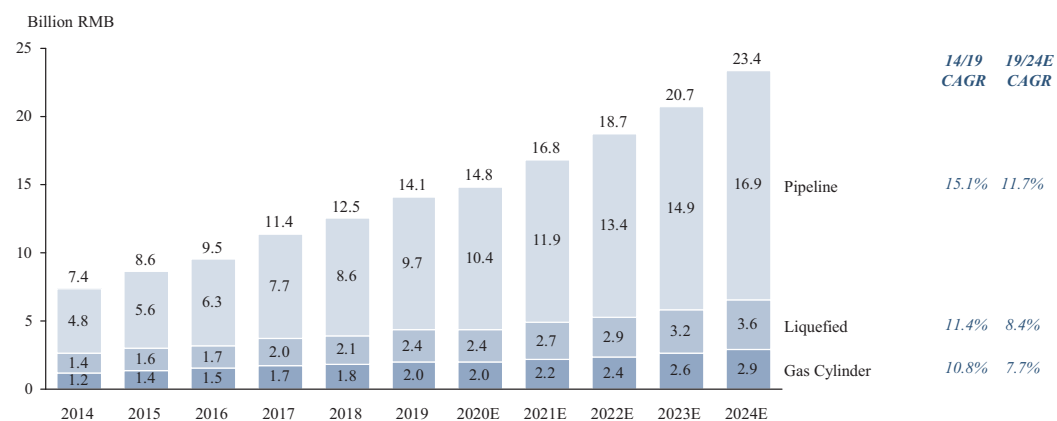


Source: Frost & Sullivan

The market share of independent industrial gas in the Jing-Jin-Ji Region increased from 47.7% in 2014 to 55.3% in 2019. The revenue of this segment in the Jing-Jin-Ji Region increased at a CAGR of approximately 13.8% from 2014 to 2019, while that of self-owned industrial gas production in the Jing-Jin-Ji Region increased at a CAGR of approximately 7.1% during the same years.

The segment of independent industrial gas production in the Jing-Jin-Ji Region is expected to keep growing at a faster rate comparing with self-owned production due to the increasing trend of outsourcing industrial gas needs to independent suppliers for cost saving purpose. The revenue of independent production of industrial gas is forecasted to grow at a CAGR of approximately 10.7% from 2019 to 2024, reaching approximately RMB23.4 billion in 2024.

**Market Size of Independent Industrial Gas in Terms of Revenue,
Segmented by Type (the Jing-Jin-Ji Region), 2014 - 2024E**



Source: Frost & Sullivan

Pipeline industrial gas accounted for around 70% of independent industrial gas production in the Jing-Jin-Ji Region in 2019. The segment increased from approximately RMB4.8 billion in 2014 to approximately RMB9.7 billion in 2019, representing a CAGR of approximately 15.1%. The segment is mainly driven by the growth of leading players who focus on pipeline industrial gas.

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The revenue of liquefied industrial gas increased from approximately RMB1.4 billion in 2014 to approximately RMB2.4 billion in 2019, representing a CAGR of approximately 11.4% and is forecasted to increase to approximately RMB3.6 billion in 2024. Gas cylinder revenue is forecasted to grow at a CAGR of approximately 7.7% from 2020 to 2024, reaching approximately RMB2.9 billion in 2024.

Market Drivers of China's and the Jing-Jin-Ji Region's Industrial Gas Industry

Increasing demand of industrial gas from downstream sectors: Industrial gases are applied to a wide range of downstream sectors, including iron and steel, chemicals, metals, oil refining, electronics, etc. The continuous growth of these downstream industries shall stimulate the demand for industrial gases in future. In terms of production volume of crude steel, market size of iron and steel industry in China increased from approximately 822.3 million tonnes in 2014 to approximately 996.3 million tonnes in 2019 driven by the development of downstream factors such as construction and machinery industry, representing a CAGR of approximately 3.9%. The market size of iron and steel industry is forecasted to keep the growing trend in the coming future and is forecasted to grow at a CAGR of approximately 1.5% from 2019 to 2024. Also, along with the transformation of economic structure, higher-end manufacturing industries in which industrial gases could be applied, such as electronics, photovoltaic, etc., are forecasted to further develop in future, driving the demand of industrial gases. The continuous rising demand from the downstream industries and wider application of industrial gases shall provide great growth potential for the market in China in the future.

Increasing outsourcing of industrial gas production: In recent years, there has been a trend for large downstream customers to outsource their industrial gas production to independent suppliers to streamline the business, improve efficiency, save cost and take advantage of the relevant industry experience and expertise of such independent industrial gas suppliers. The independent suppliers not only offer industrial gas but also act as on-site plant operators for gases facilities for their customers since they generally have more in-depth industry know-how in relation to industrial gas production. The increasing trend of outsourcing industrial gas production to independent suppliers is likely to drive the market.

Favourable policy environment: The Outline of the Plan for Coordinated Development for the Jing-Jin-Ji Region (京津冀協同發展規劃綱要) as part of China's development strategy issued in April 2015 aims at optimising the integrated development of the region. Hebei Province benefits substantially from the strategy. According to the outline, Hebei Province, currently the most industrial part of the region, will become an important national base for trading and logistics, a pilot zone for industrial transformation and upgrading, a demonstration area for modern urbanisation and urban-rural integration and an ecological buffer zone. In April 2017, Xiong'an New Area was officially set in order to take the nonessential functions of Beijing. With the further investment from the governments and coordination of the region, it is expected that Hebei Province would develop at a relatively fast pace and various industries in Hebei Province are likely to further develop in the future. In August 2019, China announced a master plan for six new pilot free trade zones (FTZs), promoting free trade, investments, and new models of opening-up towards foreign economies. As one of China's six new FTZs, the Hebei Province FTZ is an important initiative to the implementation of coordinated development of the Jing-Jin-Ji Region and will support the regional integration of the Jing-Jin-Ji Region. Hebei Province will become an important national base for trading and logistics, a pilot zone for industrial transformation and upgrading, a demonstration area for modern urbanisation and urban-rural integration and an ecological buffer zone. Also, Hebei Province is expected to move away from heavy industries by upgrading and modernising its industrial base, towards higher-end manufacturing industries which include the downstream industries of industrial gas supply, such as electronic chip manufacturing industry, bringing about opportunities for industrial gas providers in Hebei province.

Opportunities, Threats and Challenges of China's Industrial Gas Industry

Opportunities

The electronics industry, one of the major downstream industries of industrial gas, is developing rapidly in China in recent years. Both the domestic and foreign enterprises that set up factories in China are growing and driving the demand for industrial gas. The industry has also gained support from the central government. According to the National Medium and Long-term Program for Science and Technology Development (2006-2020) (《國家中長期科學和技術發展規劃綱要》), the industrialisation of high-purity specialty gases for the electronics industry has been listed as a major

INDUSTRY OVERVIEW

special project alongside with the development of large scale integration. The large demand from the downstream sectors and strong support from the government is likely to present opportunities for the industrial gas industry.

The iron and industry in China is currently facing a transformation driven by various government policies, including (i) the people's government and the provincial committee of Hebei Province issued the Plan of the Reduction of Capacity in Steel Industry in Hebei Province (2018-2020) (《河北省鋼鐵行業去產能工作方案(2018—2020年)》) which requires the closure of outdated production facilities; (ii) the Guiding Opinions on Resolving Serious Production Overcapacity Conflicts (《國務院關於化解產能嚴重過剩矛盾的指導意見》) issued by the State Council on 6 October 2013, which requires relevant government authorities to eliminate and shut down inefficient capacity in industries such as iron and steel and to promote the application of high-grade and high-performance production technology and process; (iii) the Guidelines on Addressing Overcapacity and Achieving a Turnaround in the Steel Industry (《國務院關於鋼鐵行業化解過剩產能實現脫困發展的意見》) issued by the State Council in February 2016 and the Implementation Measures of Capacity Replacement in the Iron and Steel Production Industry (《鋼鐵行業產能置換實施辦法》) promulgated by the Ministry of Industry and Information Technology in December 2017, which regulates the production capacity replacement and promote consolidation within the steel industry; and (iv) the 13th Five-Year Plan for Tangshan Iron and Steel Industry Development (《唐山市鋼鐵產業“十三五”規劃》) and the Work Plan for Promoting the High-quality Development of Tangshan Iron and Steel Industry (2018-2020) (《唐山市推進鋼鐵產業高質量發展工作方案(2018年-2020年)》) issued by Tangshan government, which aims to relocate steel and iron plants within urban and ecologically fragile areas in the Tangshan region to more strategically located industrial zones in the coastal area with a view to consolidating the currently fragmented. The industry will become more concentrated as outdated capacity will be closed. The transformation of the iron and industry may impact the market of industrial gas as the iron and industry is one of the major downstream industries. Small and medium-sized companies may be strongly impacted due to weak adaptive capacity to the changing policies and relatively narrow customer bases.

Threats and Challenges

Most special industrial gas are hazardous chemicals. The supervision on the production and transportation of hazardous chemicals in China is relatively strict. Companies that undertake such production should pay much attention to and invest a large amount of capital in the safe production of industrial gas and also the environmental protection system of their facilities.

Other threats including the entrance of foreign gas suppliers may also become challenges for the industry.

Raw Material Price Analysis of China and the Jing-Jin-Ji Region's Industrial Gas Industry

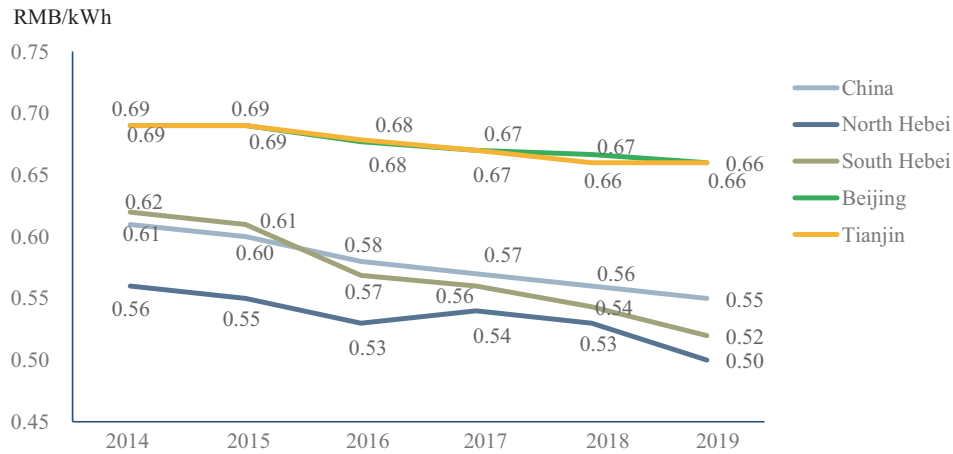
As air gases, which account for over half of the total industrial gas industry, are produced through separating the air in the atmosphere by ASUs, and do not need any other raw materials, the major cost of industrial gas of air gases production is electricity. Electricity accounts for approximately 80% of the total cost of revenues.

The price of electricity in China decreased from RMB0.61 per kWh in 2014 to RMB0.55 per kWh in 2019. The price of electricity in North Hebei Province is lower than that in China, decreasing from RMB0.56 cent per kWh in 2014 to RMB0.50 per kWh in 2019. The price of electricity in South Hebei Province decreased from RMB0.62 per kWh in 2014 to RMB0.52 per kWh in 2019. The price of electricity in Beijing and Tianjin also decreased since 2015. The price of electricity has decreased due to declining costs of electricity producers. The price of electricity is expected to remain stable with a slight decrease in the future due to the sufficient supply of electricity in China.

The price of electricity is set by the National and Local Development and Reform Commissions. The price of electricity for industrial use is generally determined by factors including transformer capacity, the basic price of electricity, the transmission-distribution price of electricity and other factors.

INDUSTRY OVERVIEW

Average Price of Electricity (China and the Jing-Jin-Ji Region), 2014-2019



Source: Frost & Sullivan

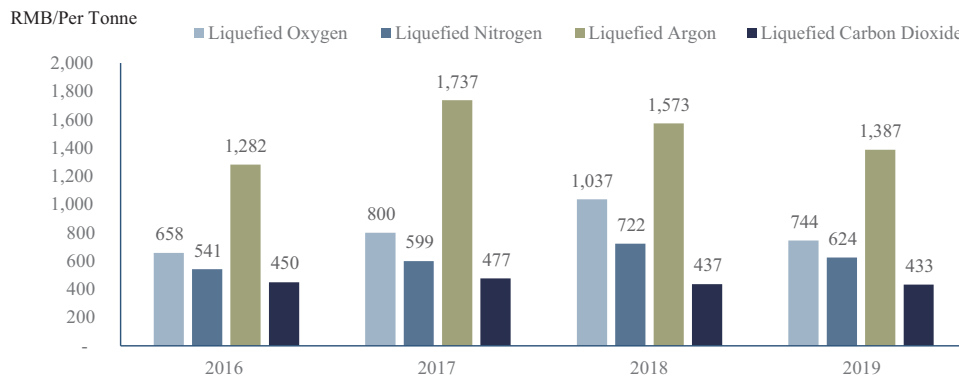
Price Analysis of Industrial Gas Industry

The prices of pipeline industrial gas are generally determined based on the cost, which is mainly electricity cost. Other costs include the depreciation cost, financial cost and other costs. The prices of pipeline industrial gas are relatively stable and are usually 10% to 25% higher than the costs. The prices of pipeline industrial gas projects are set before commencement of the projects. The minimum amount of usage and the price based on the electricity price are determined in the contracts. Basic rates of return are guaranteed based on the contracts. The gross margins are generally between 10% to 25% nationwide and between 10% to 15% in the Jing-Jin-Ji Region.

The prices of liquefied industrial gases are generally affected by the supply and demand in the market. The average prices of liquefied oxygen and liquefied nitrogen in the Jing-Jin-Ji Region experienced sustained increase from 2016 to 2018, while the average price of liquefied argon in the Jing-Jin-Ji Region witnessed slight drop in 2018 due to the slowdown in growth of downstream industry such as photovoltaic industry.

In 2019, the average prices of liquefied oxygen, liquefied nitrogen and liquefied argon in the Jing-Jin-Ji Region were approximately RMB744 per tonne, RMB624 per tonne and RMB1,387 per tonne respectively, each of which was lower than those of 2018. The decreasing average price of liquefied industrial gas was mainly caused by the sufficient supply of major industrial gas products in the Jing-Jin-Ji Region.

Average Price of Major Industrial Gas Products (the Jing-Jin-Ji Region), 2016-2019



Source: Frost & Sullivan

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Competitive landscape of China's and the Jing-Jin-Ji Region's Industrial Gas Industry

The industrial gas industry in China is relatively fragmented, with the top 5 players accounting for around 29.3% of total revenue of industrial gas suppliers in 2019. There are around 8,000 industrial gas suppliers in China's industrial gas industry. Our Group, with revenue of RMB1.2 billion in 2019, accounted for 0.8% of total revenue of industrial gas suppliers in China.

The market size of the Jing-Jin-Ji Region's industrial gas industry was approximately RMB25.5 billion in 2019, accounting for around 17.3% of the market size of China's industrial gas industry. The industrial gas industry in the Jing-Jin-Ji Region is relatively fragmented, with the top five players accounting for around 18.5% of total revenue of industrial gas suppliers in 2019. There are around 1,000 industrial gas suppliers in the industrial gas industry in the Jing-Jin-Ji Region. Our Group, ranked second among all market participants in the Jing-Jin-Ji Region with revenue of approximately RMB1.2 billion in 2019, accounted for 4.7% of total revenue of industrial gas suppliers in the Jing-Jin-Ji Region in 2019. Our Group ranked the first in Hebei Province.

The independent industrial gas industry in the Jing-Jin-Ji Region is relatively fragmented, with the top five players accounting for 33.3% of total revenue of independent industrial gas suppliers in 2019. There are around 50 to 100 independent industrial gas suppliers in the Jing-Jin-Ji Region's industrial gas industry. Our Group, ranked the second among all market participants with revenue of approximately RMB1.2 billion in 2019, accounted for 8.5% of total revenue of independent industrial gas suppliers in the Jing-Jin-Ji Region in 2019.

**Ranking of Top 5 Industrial
Gas Suppliers by Revenue,
(the Jing-Jin-Ji Region), 2019**

**Ranking of Top 5 Independent Industrial
Gas Suppliers by Revenue,
(the Jing-Jin-Ji Region), 2019**

Rank	Company	Total Revenue (RMB Billion)	Market Share (%)	Total Revenue (RMB Billion)	Market Share (%)
1	Company A	1.6	6.3%	1.6	11.3%
2	The Group	1.2	4.7%	1.2	8.5%
3	Company B	1.0	3.9%	1.0	7.1%
4	Company C	0.6	2.4%	0.6	4.3%
5	Company D	0.3	1.2%	0.3	2.1%
Top 5 Subtotal		4.7	18.5%	4.7	33.3%
Others		20.8	81.5%	9.4	66.7%
Total		25.5	100.0%	14.1	100.0%

Source: Frost & Sullivan

Note:

- (1) Total revenue refers the company's revenue generated from its sales of industrial gas in the year ended 31 December 2019.
- (2) Company A was established in 1902 and headquartered in Paris, France. Company A is a company listed on Euronext Paris that specialises in offering industrial and medical gases and related services to customers in a range of industries, including oil and gas, chemicals, metals, construction, food and beverage, research and analysis, electronics and healthcare.
- (3) Company B was established in 2001 and headquartered in Shanghai, China. Company B is a private company primarily engaged in on-site gas production and liquefied gas supply. Company B mainly serves enterprises in the iron and steel, chemical, non-ferrous metals, electronics and energy industries.
- (4) Company C was established in 1940 and headquartered in Allentown, Pennsylvania, the United States. Company C is a company listed on NYSE that specialises in providing industrial gas and related equipment to customers in a wide range industries, including refining, chemical, metals, electronics, manufacturing, and food and beverage.
- (5) Company D was established in 1879 and headquartered in Munich, Germany. Company D is a company listed on NYSE that specialises in providing industrial gas, medical gases, specialty gases, refrigerants and other chemicals. Company D also designs and builds large-scale chemical plants for the production of industrial gas, as well as large plants associated with the processing of natural gas, LNG, LPG and the manufacture of olefins.
- (6) The revenue of our Group is based on the audited revenue figures of our Group in 2019.

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Entry Barriers of China's Industrial Gas Industry

Geographical Location: Geographical location is crucial to the development of industrial gas suppliers. Because there is restriction on delivery radius and the transportation cost for delivery of industrial gas, existing key players in China's industrial gas industry have already obtained a favourable geographical locations that are close to customers, such as state-owned steelworks and chemical enterprises. Thus, new entrants may find it difficult to compete with existing players who have advantages in terms of geographical location.

Capital intensive: The industrial gas industry is capital intensive. It requires substantial investment for the initial construction of production facilities, acquisition of equipment and machinery and procurement of raw materials and labour etc. In addition, during the operation process, in order to ensure safety utilisation of gas, industrial gas suppliers are obliged to maintain their production facilities, which in turn imposes high requirements on suppliers' capital strength. New entrants may find it difficult to compete with existing enterprises who have strong capital strength.

Substantial experience and technical know-how: Industrial gas suppliers also need substantial experience and technical know-how for the overall delivery of products and services to achieve competitive advantages. Major industrial gas suppliers have experienced engineers and support staff who have extensive industry experience and technological know-how to design, construct and operate gas production plants, which also ensures cost efficiency. New entrants to the market might find it relatively difficult to set up a professional and technically skilled team in a short period of time, especially when most of the skills and technical know-how are derived from extensive working experience in industrial gas production.

Customer base and entrenched relationships: Key players in the industrial gas industry are generally large enterprises who have entrenched relationships with downstream customers such as iron and steel companies. Customers are also willing to cooperate and build connections with large industrial gas suppliers who have good reputations to ensure a stable supply chain. Therefore, new entrants might have difficulties in establishing relationships with downstream customers.

ANALYSIS OF CHINA'S AND THE JING-JIN-JI REGION'S LNG INDUSTRY

Market Size of China's and the Jing-Jin-Ji Region's LNG Industry

Liquefied natural gas (LNG) is natural gas stored as a super-cooled (cryogenic) liquid. While both LNG and liquefied industrial gas are in liquid form, their compositions are different. Liquefied industrial gas includes air gases and special gases. Air gases are elemental gases separated from air, consisting nitrogen (N₂), oxygen (O₂), argon (Ar), helium (He), neon (Ne), krypton (Kr), xenon (Xe) and radon (Rn). Special gases are gaseous chemical compounds, such as SiH₄, As, P, Br, HCl, HF, SF₆, NH₃ and CO₂. LNG is produced through exploration and liquefaction of natural gas, which is hydrocarbon gas mixture that primarily consists of methane (CH₄). As such, LNG is not one of the liquefied industrial gas products and is widely used as fuel for various purposes such as heating, electricity generation and vehicle energy, which are different from the applications of liquefied industrial gas in its major downstream industries including iron and steel, petrochemical, other chemicals and electronics.

The sales value of LNG in China increased from RMB48.2 billion in 2014 to approximately RMB166.7 billion in 2019, representing a CAGR of 28.2%. The robust development was mainly attributed to China's national energy reform policy introduced to promote the use of clean energy, including natural gas. Moreover, many industrial factories were forced to move to remote areas, where it is hard and expensive to build pipeline networks. In these cases, LNG has become a better option/plan/strategy for industrial factories and residents in rural areas for better availability.

Traditionally involved in heavy industries and manufacturing, the Jing-Jin-Ji Region has put great emphasis on air pollution prevention and has conducted energy structure transformation in recent years. The market size of the LNG industry in the Jing-Jin-Ji Region increased from approximately RMB4.9 billion in 2014 to approximately RMB13.8 billion in 2019, representing a CAGR of 23.0%.

The government's targets to reduce air pollution and switch to cleaner burning fuels is exemplified by its Three-Year Action Plan for Winning the Blue Sky Defence Battle (《打赢蓝天保卫战三年行动计划》) and the 13th Five-Year Plan will continue to drive gas consumption. The LNG

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sales is expected to continue increasing and reach RMB394.0 billion in 2024, representing a CAGR of 18.8% since 2019. Meanwhile, the LNG sales in the Jing-Jin-Ji Region is expected to continue to increase and reach approximately RMB25.2 billion in 2024, representing a CAGR of 12.8% from 2019 to 2024.

The average market price of LNG in the Jing-Jin-Ji Region experienced a decline from 2014 to 2019. With large quantity of LNG imports, the market price of LNG decreased steadily from approximately RMB4,799 per tonne in 2014 to RMB3,033 per tonne in 2016.

In the process of energy transformation in China, replacing coal with natural gas in North China has caused a supply shortage of LNG since 2017, resulting in increasing LNG price from approximately RMB3,033 per tonne in 2016 to approximately RMB4,842 per tonne in 2019.

Market Drivers of China's LNG Industry

Growing economy and improving urbanisation: The rapid growth of urbanisation has greatly driven the demand of natural gas consumption. LNG, as a kind of natural gas, can be transported and stored easily and is a good substitute product for pipeline natural gas in less developed areas and in peak natural gas season. In addition, LNG can be used as industrial fuel and as the fuel for alternative fuel vehicles.

Increasing awareness of environmental protection: Under the current widespread awareness for environmental protection, natural gas vehicles, such as LNG vehicles, are becoming more popular and starting to replace oil-fuelled vehicles, which in turn lead to a greater demand for LNG in China. In addition, many industrial factories were forced to move to remote areas, where it is hard and expensive to build pipeline networks. In these cases, LNG has become a better strategy for industrial factories as it is easy to deliver.

Supportive government policies: According to “‘Thirteenth Five Years’ Plan for Energy Development”(《能源發展“十三五”規劃》), China aims to raise the share of natural gas in primary energy consumption to 10% by 2020 and lower the share of coal in its energy consumption structure. Also, the NDRC has issued “the Opinions on Accelerating the Use of Natural Gas”(《加快推進天然氣利用的意見》) in 2017 to further promote natural gas application. In September 2018, the State Council issued “Suggestions of the State Council on Promoting Coordinated and Stable Development of Natural Gas”(《國務院關於促進天然氣協調穩定發展的若干意見》) to maintain the healthy development of natural gas industry. Accordingly, the consumption of LNG is also expected to grow healthily.

Opportunities, Threats and Challenges of China's LNG Industry

Opportunities

Government promotion on natural gas vehicles: The central government of China has promulgated a series of policies and regulations to encourage the use of natural gas vehicles. In addition, many private enterprises have been allowed and encouraged to enter the natural gas market by the Chinese government, especially the LNG market, which is likely to boost the supply of both domestic and imported LNG.

Threats and Challenges

Price Fluctuation of Oil: The cost advantage of LNG mainly relies on the fuel efficiency of natural gas fuel and also the price difference between LNG and gasoline. Thus, the declining oil price may pose threat to LNG industry as the cost advantage of LNG would be offset.

Competitive Landscape of China's LNG Industry

The LNG industry in China is relatively concentrated with the three largest national state-owned enterprises accounting for around 50% of the market.

According to Frost & Sullivan, there are around 200 market players in China's LNG industry. The operation of LNG production plants in China is dominated by the three biggest national state-owned enterprises and several large regional independent companies. The top five LNG companies possess over 60% of the market share in terms of LNG sales value in 2019. The market share of our Group is estimated to be around 0.01% in the overall LNG market in China. In 2019, the

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market size of the Jing-Jin-Ji Region's LNG industry was RMB13.8 billion and constituted 8.3% of the total market size of China's LNG industry. There are around 30 LNG suppliers in the Jing-Jin-Ji Region's LNG industry. The market share of our Group is estimated to be around 0.1% in the overall LNG industry in the Jing-Jin-Ji Region.

Impact of COVID-19

Since the beginning of 2020, 31 provincial-level regions in the PRC have activated first-level emergency response to contain the spread of COVID-19. The State Council extended the Lunar New Year public holiday to 2 February 2020, and most of the local governments have further postponed the resuming of work until 10 February 2020.

As the spread of COVID-19 alleviated in China, enterprises resumed work later in February 2020. According to the Ministry of Industry and Information Technology of the PRC, by the end of March 2020, 98.6% industrial enterprises above the designated size (i.e., with an annual revenue of no less than RMB20 million) and over 70% of the small and medium-sized enterprises in China had resumed their operations. As the PRC central government has implemented a series of fiscal and monetary policies, such as enlarging investment in infrastructure construction and reducing corporate tax and benchmark interest rate, it is expected that the economic condition of the PRC will gradually recover and will return to a normal year-over-year growth rate in the long term.

The iron and steel industry is not significantly affected by the COVID-19 pandemic. It is a common practice for most of the ironmakers and steelmakers in China to reduce and restrict production during winter in order to protect the environment. Hence, the postponement of work resumption in February 2020 did not lead to a large-scale of production reduction of iron and steel in China compared with previous years. According to the NDRC, the production of crude steel had recorded a year-on-year growth rate of 4.5% during the nine months ended 30 September 2020 in China.

The prices of raw materials of the iron and steel industry including coking coal and iron ore stayed at a stable level during the epidemic. Going forward, as mining gradually resumes in China, the prices of raw materials are unlikely to fluctuate significantly in the next few months.

The demand for iron and steel has been to certain extent affected by COVID-19. The construction industry was subject to a short-term impact. However, a compensatory expansion of demand is likely to be expected in the medium and long term, which is underpinned by the massive development of infrastructure in China. As the epidemic alleviates in China, the demand is likely to recover in the next few years.

As iron and steel industry is one of the major downstream industries of industrial gas, it is likely that the market of industrial gas would be affected in 2020. However, the impact of the pandemic of COVID-19 to the industry is limited in the long run as the industrial gas operations have resumed in the Jing-Jin-Ji Region and the rest of China.

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In this chapter, we summarise the main PRC laws and regulations related to the current business operations of our Chinese companies.

PRC LAWS AND REGULATIONS RELATING TO HAZARDOUS CHEMICALS

Safety Review of Hazardous Chemical Construction Projects

According to the Regulations on Safety Management of Hazardous Chemicals (Amended in 2013) (《危險化學品安全管理條例(2013修訂)》) amended by the State Council and came into effect on 7 December 2013, and the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (Amended in 2015) (《危險化學品建設項目安全監督管理辦法(2015修正)》) amended by the State Administration of Work Safety on 27 May 2015 and came into effect on 1 July 2015, new construction projects, reconstruction projects, and expansion projects for hazardous chemical production and storage and chemical construction projects with hazardous chemical by-products within the territory of the PRC (including construction projects of long-distance transmission pipelines for hazardous chemicals, hereinafter collectively referred to as the “construction projects”), shall be subject to safety review by the supervision and Administration Department of production safety, including the safety conditions and the design of safety facilities. The construction employer shall be responsible for organising and implementing, in accordance with the law, the as-built acceptance check of the safety facilities of a construction project. Where a construction project has not passed the safety examination and as-built acceptance check of its safety facilities, the construction of it may not commence or it may not be put into production or put to use.

Hazardous Chemicals Production

According to the Law of the PRC on Work Safety (Amended in 2014) (《中華人民共和國安全生產法(2014修正)》), which was promulgated by the Standing Committee of NPC on 31 August 2014 and came into effect on 1 December 2014, entities that are engaged in production and business activities within the territory of the PRC shall abide by laws and regulations concerning work safety, strengthen work safety control, set up and improve the responsibility system and rules and regulations for work safety, improving the conditions for work safety, promoting the standardisation of work safety, raise the level of work safety and ensure work safety. The entities for manufacturing, marketing or storing dangerous articles shall set up organisations or be manned with full-time persons for the control of work safety.

According to the Regulations on Safety Management of Hazardous Chemicals, the Regulations on Safe Work Permits (Amended in 2014) (《安全生產許可證條例(2014修訂)》) amended by the State Council and came into effect on 29 July 2014, and the Regulations of the PRC on Administration of Production Licensing of Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) which was promulgated by the State Council on 9 July 2005 and came into effect on 1 September 2005, enterprises engaging in the production of hazardous chemicals shall obtain the permit for the safe production of hazardous chemicals before the commencement of production. Where anyone engages in the production of hazardous chemicals without legally obtaining the permit for safe production of hazardous chemicals, or engages in the production of hazardous chemicals and their packaging materials and containers without legally obtaining the license to manufacture industrial products, such party shall be punished respectively.

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Operation of Hazardous Chemicals

According to the Regulations on Safety Management of Hazardous Chemicals, and the Administrative Measures for Hazardous Chemicals Business License (Amended in 2015) (《危險化學品經營許可證管理辦法(2015修訂)》) amended by the State Administration of Work Safety on 27 May 2015 and came into effect on 1 July 2015, the State adopts a licensing system for the operation of hazardous chemicals (including warehousing operation). No entity or individual is allowed to engage in the operation of hazardous chemicals without approval. Enterprises that are legally set up to engage in the production of hazardous chemicals do not need to apply for the permit for the operation of hazardous chemicals if they sell their own hazardous chemical products within their plant areas. Where anyone engage in the operation of hazardous chemicals without obtaining the permit for operation of hazardous chemicals, the relevant work safety administration and supervision department shall order the concerned party to discontinue its operation activities, confiscate any and all hazardous chemicals involved in the illegal operation as well as illegal gains, and impose thereon penalty concurrent fine. If said act constitutes a crime, the concerned party shall be subject to criminal liability.

Registration of Hazardous Chemicals

According to the Regulations on Safety Management of Hazardous Chemicals, and the Administrative Measures for the Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) which was promulgated by the State Administration of Work Safety on 1 July 2012 and came into effect on 1 August 2012, any enterprises engaging in production of hazardous chemicals and importing enterprises shall go through formalities of registration of hazardous chemicals with the department in charge of registration of hazardous chemicals of safety production and supervision administration. Any registrant which fails to register its hazardous chemicals, shall be ordered to make rectification and subject to a fine; where its violation is of a serious nature, shall be ordered to suspend the production or business to bring it up to standard.

PRC LAWS AND REGULATIONS RELATING TO GAS OPERATION

According to the Regulations for the Administration of Fuel Gas in Towns and Cities (2016 Version) (《城鎮燃氣管理條例(2016修訂)》) which was promulgated by the State Council and came into effect on 6 February 2016, and Regulations for the Administration of Gas Operation Permits (《燃氣經營許可管理辦法(2019修訂)》) amended by the Ministry of Housing and Urban-Rural Development and came into effect on 11 March 2019, the State implements the permit system for fuel gas operation. No unit or individual may engage in gas business activities without permission. If a party conducts fuel gas operation activities without obtaining the fuel gas operation permit, the fuel gas administrative department shall order it to stop the illegal act and impose a fine of more than RMB50,000 but less than RMB500,000. The illegal gains, if any, shall be confiscated and the party shall be pursued with criminal liability in accordance with the law if his act constitutes a criminal offence.

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PRC LAWS AND REGULATIONS RELATING TO PRODUCTION OF MEDICINES

Drug Production License

According to the Drug Administration Law of the PRC (Amended in 2019) (《中華人民共和國藥品管理法(2019修訂)》) which was promulgated by the Standing Committee of NPC and came into effect on 24 April 2015, and newly amended on 26 August 2019 and came into effect on 1 December 2019, and the Regulations for the Implementation of the Drug Administration Law of the PRC (Amended in 2019) (《中華人民共和國藥品管理法實施條例(2019修訂)》) which was promulgated by the State Council and came into effect on 6 February 2016, and newly amended came into effect on 3 March 2019, drugs without the certificate may not be manufactured in China. Prior to the issuance of the license, the relevant government departments will inspect the pharmaceutical manufacturer's production facilities and determine whether the sanitary conditions, quality assurance systems, management structures and equipment in the facilities meet the required standards. The valid term of a Drug Manufacturing Certificate is five years. Enterprise must apply for a license extension within six months of their expiration date and must be re-evaluated by the issuing authority in accordance with the requirements of the current laws and regulations. Any drug manufacturer or distributor that, without obtaining Drug Manufacturing Certificate for Medical Institution, manufactures drugs shall be ordered to close down, the drugs illegally produced or sold and the illegal gains therefrom shall be confiscated, and they shall also be fined not less than fifteen times but not more than thirty times the value of the drugs (including sold and unsold drugs), where the value of the drugs is less than RMB100,000, the fine shall be computed in accordance with RMB100,000. If a crime is constituted, criminal liabilities shall be investigated in accordance with law.

Drug Production Quality Management

According to the Notice on the Implementation of the Drug Production Quality Management Norms Related to the Work (《關於切實做好實施藥品生產質量管理規範有關工作的通知》) which was promulgated by the China Food and Drug Administration and came into effect on 30 December 2015, enterprises that do not obtain a GMP certificate may not obtain a drug production license. GMP certificate valid for five years and renewal application must be submitted six months prior to expiration date. The Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) which was promulgated by the Ministry of Health on 17 January 2011 and came into effect on 1 March 2011, provides for pharmaceutical production facilities, quality of management personnel, production plant and equipment, document processing, material packaging and labelling, inspection, production management, product sales and return and customer complaints. According to the Announcement on Matters Relating to Implementation on the Drug Administration Law of the PRC (《關於貫徹實施〈中華人民共和國藥品管理法〉有關事項的公告》) which was promulgated by the China Drug Administration and came to effect on 29 November 2019, as of 1 December 2019, the GMP certification of medicines was cancelled. Also, GMP certification applications would no longer be accepted and the GMP certificate would no longer be issued. According to Drug Administration Law, enterprises engaged in drug production activities is required to comply with the Good Manufacturing Practices for Pharmaceuticals Products, establish and improve a quality control system for drug production, and ensure that the entire process of drug production meets statutory requirements.

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PRC LAWS AND REGULATIONS RELATING TO FOOD PRODUCTION

According to the Food Safety Law of the PRC (Amended in 2018) (《中華人民共和國食品安全法(2018修正)》) amended by the Standing Committee of NPC and came into effect on 29 December 2018, and the Measures for the Administration of Food Production Licensing (2020 Version) (《食品生產許可管理辦法(2020)》) which was promulgated by the State Administration for Market Regulation and came into effect on 1 March 2020, food production licensing must be obtained for engaging in food production activities within the territory of the PRC. To apply for food production licensing, an applicant shall satisfy the conditions set out in the Measures for the Administration of Food Production Licensing (2020). The administration for market regulation of provinces, autonomous regions and municipalities directly under the central government shall be responsible for the administration of printing and issuing food production license in their respective administrative regions and the validity period of the food production license is five years. For those who engages in the production of food without obtaining food production license, or engages in food additives production activities without obtaining food additive production license, the administration for market regulation at or above the county level shall confiscate the illegal income, the food and food additives illegally produced and sold, and the tools, equipment and raw materials used for illegal production; and, a fine of not less than RMB50,000 but not more than RMB100,000 shall be concurrently meted out if the value of the food or food additives under illegal production and operation is less than RMB10,000, if the value of such food or food additives is RMB10,000 or more, a fine of not less than ten times but not more than twenty times the value thereof shall be concurrently meted out. If the food produced by a food producer does not belong to the food category specified in the food production license, it shall be deemed that the food producer has not obtained the food production license to engage in food production activities.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

According to the Law of the People's Republic of China on Product Quality (Amended in 2018) (《中華人民共和國產品質量法(2018修正)》) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, producers shall be liable for the quality of the products they produce, sellers shall adopt measures to keep the products for sale in good quality. If a producer's defective product causes physical injury to a person or damage to property other than the defective product itself (hereinafter referred to as **"another person's property"**), the producer shall be liable for compensation. Where physical injury is caused to a person or damage to another person's property by a product's defect resulting from the seller's fault, the seller shall be liable for compensation. Where the seller can identify neither the producer of the defective product nor the supplier thereof, the seller shall be liable for compensation. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation against the producer or the seller of such product, means the producer and the seller shall bear joint and several liability.

PRC LAWS AND REGULATIONS RELATING TO USE OF SPECIAL EQUIPMENT

According to the Regulations on Safety Supervision of Special Equipment (Amended in 2009) (《特種設備安全監察條例(2009修訂)》) which was promulgated by the State Council on 24 January 2009 and came into effect on 1 May 2009, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, entities using the special equipment shall register

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with the departments for safety supervision administration of special equipment of municipalities directly under the central government or of cities divided into districts. Entities using special equipment shall build a safety technical file on the special equipment, conduct frequent daily maintenance of the special equipment in service or to carry out periodic self-check, or to carry out periodic calibration, maintenance and repair of the safety accessories, safety protection devices, measuring and controlling installations and auxiliary instruments and gauges of the special equipment in service and make records, and make a request for periodic inspection to the special equipment inspection and testing institution one month before the period of validity of the safety inspection expires in accordance with the requirements for periodic inspection as provided for in the safety technical codes. Where an entity using special equipment violate one of the following circumstances, the department for safety supervision administration of special equipment shall order it to make corrections within a time limit, or impose a fine of not less than RMB2,000 and not more than RMB20,000 if no corrections are made upon the expiry of the time limit, or order it to stop using or suspend the production or business for rectification if the circumstances are serious: (i) without registering with the department of special equipment supervision and administration prior to the putting-into-service of the special equipment; (ii) failing to build a safety technical file on the special equipment; (iii) using special equipment which has not been periodically inspected or has failed to pass the inspection etc.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION PROJECT CONSTRUCTION

Land of Project

Although all land in China is owned by the State or collectively owned by peasants, individuals and companies can obtain land use rights and hold relevant land use rights for production projects.

According to the Land Administration Law of the PRC (Amended in 2019) (《中華人民共和國土地管理法(2019修正)》) which was promulgated by the Standing Committee of NPC and came into effect on 28 August 2004, and amended on 26 August 2019 and came into effect on 1 January 2020, the right to the use of land may be transferred in accordance with law. According to the Interim Regulations of the PRC Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (hereinafter referred to as the “**Interim Regulations of the Assignment and Transfer**”) which was promulgated by the State Council and came into effect on 19 May 1990, the State implements the system whereby the right to the use of the State-owned land in the urban areas may be assigned and transferred. The State as the owner of the land who, within the term of a certain number of years, assigns the right to the use of the land to land users, who shall in turn pay fees for the assignment thereof to the State. Users of the land who have obtained the right to the use of the land within the term of land use, transfer, lease, or mortgage the right to the use of the land or use it for other economic activities. According to the Interim Regulations of the Assignment and Transfer, the contract for assigning the right to the use of the land shall be signed by and between the land administration departments under the people’s governments at the municipal or county levels and the land users. The land user shall, in conformity with the stipulations of the contract to pay the fee for the assignment of the right to the use of the land. After paying the total amount of the fee for the assignment of the right to the use of the land, the land user shall, in accordance with the relevant provisions, go through the registration thereof, and obtain the certificate for land use and accordingly the right to the use of the land.

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Planning of Project

According to the Measures for the Planning and Management of transfer of the Right to the Use of the State-owned Land in the Urban Areas (Amended in 2011) (《城市國有土地使用權出讓轉讓規劃管理辦法(2011修訂)》) which was promulgated by the Ministry of Housing and Urban-Rural Development and came into effect on 26 January 2011, the transferee under the contract of land use right shall apply to the relevant urban planning administrative department for a planning permit on construction land. After obtaining the construction land planned permit, the enterprise may apply for the certificate of the land use right.

According to the Law of the PRC on Urban and Rural Planning (Amended in 2019) (《中華人民共和國城鄉規劃法(2019修訂)》) which was promulgated by the Standing Committee of NPC and came into effect on 23 April 2019, for the construction, the developing enterprise shall apply for a planning permit on construction project to the department in charge of urban and rural planning under the people's government of the city or county concerned.

Construction of Project

According to the Administrative Measures for the Construction Licensing of Construction Projects (Amended in 2018) (《建築工程施工許可管理辦法(2018修正)》) which was promulgated by the Ministry of Housing and Urban-Rural Development and came into effect on 28 September 2018, prior to commencing the construction, furnishing and decoration of various types of houses and buildings and their ancillary facilities, and the installation of supporting lines, pipelines and equipment, as well as the construction of urban municipal infrastructure projects, project owners shall apply for construction permits with the competent departments of housing and urban-rural development of the local people's governments at or above the county level that are at the locus of the relevant projects.

Completion and Acceptance of Project

According to the Acceptance requirements for the completion of housing construction and municipal infrastructure works (《房屋建築和市政基礎設施工程竣工驗收規定》) which was promulgated by the Ministry of Housing and Urban-Rural Development and came into effect on 2 December 2013, and the Interim Measures on the Administration over the Record-filing of the Completion Acceptance of Housing Construction Projects and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development and came into effect on 19 October 2009, after the completion of the project, the construction entities shall organise the completion acceptance, and shall submit record-filings to departments in charge of construction of local people's governments at the locations of the Projects within fifteen (15) days upon the successful passage of the completion acceptance of the Projects. If the project is not accepted or fails to accept, it shall not be delivered for use.

Fire Safety of Construction Project

According to the Fire Control Law of the PRC (Amended in 2019) (《中華人民共和國消防法(2019修訂)》) which was promulgated by the Standing Committee of NPC and came into effect on 23 April 2019, for special development projects stipulated by the Housing and Urban-rural Development

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Authority of the State Council, the developer shall submit the fire safety design documents to the Housing and Urban-rural Development Authority for examination; the Housing and Urban-rural Development Authority shall be responsible for the examination outcome pursuant to the law. Upon completion of construction of a development project which is required to apply for fire safety inspection and acceptance as stipulated by the Housing and Urban-rural Development Authority of the State Council, the developer shall apply to the Housing and Urban-rural Development Authority for fire safety inspection and acceptance. Where any construction project which shall be subject to fire protection design review by the fire department of a public security authority fails to undergo fire protection design review and as-built fire protection inspection, may not start construction or put into production and use.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection of Construction Projects

According to the Environmental Protection Law of the People's Republic of China (Amended in 2014) (《中華人民共和國環境保護法(2014修訂)》) which was promulgated by the Standing Committee of NPC on 24 April 2014 and came into effect on 1 January 2015, the Law of the People's Republic of China on Environmental Impact Assessment (Amended in 2018) (《中華人民共和國環境影響評價法(2018修正)》) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, and the Regulations on Environmental Protection Management for Construction Projects (Amended in 2017) (《建設項目環境保護管理條例(2017修訂)》) which was promulgated by the State Council on 16 July 2017 and came into effect on 1 October 2017, the State shall put into practice a system of environmental impact assessment for construction projects. On basis of the extent of the effects exerted on the environment by construction projects, the State exercises, in a classified manner, control over the evaluation of the effects of construction projects on the environment. A construction unit shall, depend on the environmental impact of the construction project, make arrangement for preparing a written report on the environmental effects or a statement on such effects or filling out a registration form of environmental effects. For a construction project which shall prepare an environmental impact report or an environmental impact statement, construction unit shall, during the period when the feasibility study of a construction project is carried out, submit for approval the environmental impact report or environmental impact statement form of the construction project. Without the approval of the approval department, the construction unit shall not start construction. Projects that should fill in the environmental impact registration form according to law are only required to file the environmental impact registration form.

Prevention and Control of Atmospheric Pollution

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (Amended in 2018) (《中華人民共和國大氣污染防治法(2018修正)》) (hereinafter referred to as the “**Law on the Prevention and Control of Atmospheric Pollution**”) which was promulgated by the Standing Committee of NPC and came into effect on 26 October 2018, enterprises, public institutions and other manufacturing and business operators (hereinafter referred to as the “**pollutant-discharging entity**”) shall carry out environmental impact assessment and disclose the assessment documents according to law if intending to construct projects that might cause impacts on the atmospheric environment; the standards for emissions of atmospheric pollutants and the total emission control requirements for key atmospheric pollutants shall be complied with if atmospheric pollutants will be

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discharged from the proposed projects. Enterprises and public institutions must obtain the waste discharge permit for industrial emissions or emission of hazardous and toxic atmospheric pollutants. And the waste discharge permit is also required for entities engaged in the manufacturing and operation of coal-fired heat sources for central heating installations and other entities that are subject to the administrative system for waste discharge permit. If any pollutant-discharging entity discharges atmospheric pollutants without obtaining the waste discharge permit according to law or implements any other violations of the Law on the Prevention and Control of Atmospheric Pollution, the competent department of ecology and environment under the people's government shall order the entity to make corrections or to reduce production or suspend production for rectification, and impose thereon concurrently a fine; if any grave violation is involved, the environmental protection administrative department may order the entity to discontinue or close down the business operation.

Prevention and Control of Environmental Noise Pollution

According to the Law of the PRC on the Prevention and Control of Environmental Noise Pollution (Amended in 2018) (《中華人民共和國環境噪聲污染防治法(2018修訂)》) (hereinafter referred to as the “**Prevention and Control of Environmental Noise Pollution**”) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, where a construction project might cause environmental noise pollution, the unit undertaking the project must prepare an environmental impact statement which includes the measures it takes to prevent and control such pollution, and submit it, following the procedures prescribed by the State, to the competent department for ecological environment for approval. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the main part of a construction project. Before a construction project is put into production or use, its facilities for prevention and control of environmental noise pollution must be inspected and accepted according to the standards and procedures prescribed by the State; if such facilities fail to meet the requirements of the State, the construction project may not be put into production or use. Anyone who puts into production or use a construction project before the necessary facilities for prevention and control of environmental noise pollution have been completed or meet the requirements laid down by the State, shall be ordered by the competent department for ecological environment to make correction within the specified time limit and a fine shall be imposed on the entity and individuals, or even be ordered to stop production or use or be reported to the people's government with approval right which shall order it to be closed down.

Pollutant Discharge Licensing

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) which was promulgated by the Ministry of Environmental Protection and came into effect on 10 January 2018 and amended on 22 August 2019, and the List of Classification Management of Sewage Permits for Fixed Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》), enterprises and public institutions as well as other producers and operators that are included in the category-based administration catalogue of pollutant discharge licensing for stationary pollution sources shall apply for and obtain a pollutant discharge license within the prescribed time limit. The competent departments for environmental

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protection shall implement the comprehensive licensing administration of the discharge of water pollutants, atmospheric pollutants and other pollutants by pollutant discharging entities. Where any pollutant discharging entity carries out activities in violation of its pollutant discharge license, shall be subject to the corresponding administrative penalties.

PRC LAWS AND REGULATIONS RELATING TO LABOUR SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS

According to the Labour Law of the PRC (Amended in 2018) (《中華人民共和國勞動法(2018修正)》) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, and the Labour Contract Law of the PRC (Amended in 2012) (《中華人民共和國勞動合同法(2012修正)》) which was promulgated by the Standing Committee of NPC on 28 December 2012 and came into effect on 1 July 2013, employers shall establish and perfect rules and regulations in accordance with law to ensure that labourers enjoy labour rights and perform labour obligations. Labour contracts shall be concluded when the labour relation is established. Wages paid by Employers to labourers shall not be lower than the local standards of minimum wages. Employers shall provide labourers with labour safety and health conditions prescribed by the State and necessary labour protection articles, and arrange regular health examination for labourers engaged in operations with occupational hazards.

According to the Social Insurance Law of the PRC (Amended in 2018) (《中華人民共和國社會保險法(2018修正)》) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, and the Regulations on Management of Housing Provident Fund (Amended in 2019) (《住房公積金管理條例(2019修訂)》) which was promulgated by the State Council and came into effect on 24 March 2019, workers shall participate in social insurance (including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance), pay and deposit housing provident fund. Employing entities shall go through the formalities for social insurance registration and payment and deposit of the housing registration, pay work-related injury insurance premiums and maternity insurance premiums. Employing entities and workers shall jointly pay basic pension insurance premiums, basic medical insurance premiums, unemployment insurance premiums and housing provident fund. If an employing entity does not pay the full amount of social insurance premiums or housing provident fund as scheduled, it may be ordered to make the payment or make up the difference within the stipulated period, even be fined.

PRC LAWS AND REGULATIONS RELATING TO THE PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According to the Law of the PRC on Prevention and Control of Occupational Diseases (Amended in 2018) (《中華人民共和國職業病防治法(2018修正)》) (hereinafter referred to as “**the Law of Prevention and Control of Occupational Diseases**”) which was promulgated by the Standing Committee of NPC and came into effect on 29 December 2018, where a construction project may cause occupational disease hazards, the relevant construction unit shall conduct preliminary assessment of occupational disease hazards during the feasibility study stage. The designs of the occupational disease prevention facilities of a Construction Project shall meet State occupational health standards and health requirements. Before the completion acceptance of a Construction Project,

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its construction unit shall conduct assessment of the effects of occupational disease hazards control. The occupational disease prevention facilities shall be subject to the acceptance inspection organised by construction units in acceptance with the law, and it shall be put into production and used only after passing the acceptance inspection aforementioned.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the EIT Law which was promulgated by the NPC on 16 March 2007 and last revised by the Standing Committee of NPC on 29 December 2018, and the Regulation on the Implementation of the EIT Law (《中華人民共和國企業所得稅法實施條例》) (hereinafter referred to as the “**EIT Regulation**”), which was promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008 and amended on 23 April 2019, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises which are established in China according to law, or which are established according to the law of a foreign country (region) but whose actual administration institution is in China. Non-resident enterprises refer to enterprises which are established according to the law of a foreign country (region) and whose actual administration institution is outside China, but have set up institutions or establishments in China or, without institutions or establishments set up in China, have income originating from China.. Except in exceptional circumstances, the rate of enterprise income tax is 25%.

According to the EIT Law, the Administrative Measures for Recognition of High and New Technology Enterprises (Amended in 2016) (《高新技術企業認定管理辦法(2016修訂)》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance, and State Administration of Taxation on 29 January 2016 and became effective on 1 January 2016, and the Notice of the State Administration of Taxation on Issues Concerning Implementation of Preferential Treatment for the Enterprise Income Tax of High-tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》), which was promulgated by the State Administration of Taxation on 22 April 2009 and became effective on 1 January 2008, the rate of enterprise income tax on high and new technological enterprises shall be reduced to 15%.

According to the EIT Law and the EIT Regulation, a non-resident enterprise which hasn't established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax at the reduced rate of 10% on its income earned from inside China, it means that the distribution of dividends to the aforementioned non-resident enterprises (required earned from inside China) is generally 10%.

Value Added Tax

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知》), which was promulgated by the Ministry of Finance, and State Administration of Taxation on 23 March 2016 and amended on 20 March 2019, the pilot program of replacing business tax with value-added tax (hereinafter referred to

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as the “**replacing business tax with value-added tax**”) shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

According to the Interim Regulation of the People’s Republic of China on Value Added Tax (Amended in 2017) (《中華人民共和國增值稅暫行條例(2017修訂)》) which was promulgated by the State Council and came into effect on 19 November 2017, and the Implementation Rules for the Provisional Regulations the People’s Republic of China on Value-added Tax (Amended in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) which was promulgated by the Ministry of Finance and State Administration of Taxation on 28 October 2011 and came into effect on 1 November 2011, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall pay value-added tax. Unless otherwise specified, the tax rate engaging in sale of goods, services, lease of tangible movables or importation of goods shall be 17%; The tax rate engaging in sale of transportation, postal, basic telecommunications, construction, lease of immovables, sale of immovable, transfer of land use rights, sale or importation of the following goods shall be 11%. According to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅〔2018〕32號)) which was promulgated by the Ministry of Finance and State Administration of Taxation on 4 April 2018 and came into effect on 1 May 2018, a taxpayer who is previously subject to 17% and 11% respectively on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively. Furthermore, pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was promulgated by MOF, SAT and the General Administration of Customs of PRC on 20 March 2019 and came to effect on 1 April 2019, the currently applicable VAT rate of 16% shall be adjusted to 13%, and the VAT rate of 10% shall be adjusted to 9%.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The Company Law of the People’s Republic of China (2018 Revision) (《中華人民共和國公司法(2018修正)》) (hereinafter referred to as the “**Company Law**”), which was promulgated by Standing Committee of the National People’s Congress (hereinafter referred to as “NPC”) and came into effect on 26 October 2018, provides that the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (hereinafter referred to as the “**Foreign Investment Law**”), which was promulgated by the Standing Committee of NPC on 15 March 2019 and came into effect on 1 January 2020 and replaced the existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Owned Enterprise Law.

Foreign Investment Law provides that this Law applies to the investment activities carried out directly or indirectly by foreign natural persons, foreign enterprises or other foreign organisations in the PRC, a system of pre-entry national treatment and negative list for the administration of foreign investment are to be implemented. The pre-entry national treatment means that the treatment given to

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foreign investors and their investment at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the State implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any prohibited fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields. Foreign investors' investment, earnings and other legitimate rights and interests within the territory of China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. To implement the Foreign Investment Law, the State Council promulgated the Implementing Regulations of the Foreign Investment Law (《外商投資法實施條例》), and MOFCOM and the State Administration for Market Regulation further promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on 1 January 2020. The establishment of the foreign invested enterprises and its subsequent changes now needs to be reported through the Enterprise Registration System.

According to the Special Management Measures for the Access of Foreign Investment (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the “**Negative List**”) which was promulgated jointly by the NDRC and MOFCOM on 23 June 2020 and came into effect on 23 July 2020, the Catalogue of Industries for Encouraged Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄》(2019年版)) which was promulgated on 30 June 2019 and came into effect on 30 July 2019 (together with the Negative List, hereinafter referred to as the “**Foreign Investment Industries Guidance Catalogue**”), (i) When performing duties pursuant to the law, the relevant authorities shall not process relevant matters including application for permit, enterprise registration etc. for proposed investments by overseas investors in the fields mentioned in the Negative List which do not comply with the provisions of the Negative List; where approval for a fixed asset investment project is involved, the relevant approval matters will not be processed. No foreign-invested partnership business may be established in any investment field subject to equity requirement. Sectors not specified in the Negative List for Access of Foreign Investments shall be subject to administration under the principle of treating domestic investments and foreign investments equally; (ii) foreign investors are encouraged to invest in sectors specified in Catalogue of Industries for Encouraged Foreign Investment (2019). Zhongqi Investment and TTG are mainly engaged in the production and supply of industrial gases, where foreign investment is encouraged. Luanxian Tangsteel Gases is mainly engaged in the production and supply of liquid natural gas, while Tangsteel Dongxin Village is mainly engaged in gas management. According to the Foreign Investment Industries Guidance Catalogue, the projects of Luanxian Tangsteel Gases and Tangsteel Dongxin Village are not specified in the Negative List for Access of Foreign Investments and are therefore subject to administration under the principle of treating domestic investments and foreign investments equally.

The Provisions on Foreign Investors' Merger with and Acquisition of Domestic Enterprises (Amended in 2009) (《關於外國投資者併購境內企業的規定(2009修訂)》), which were jointly promulgated by the MOFCOM, the SASAC, the State Administration of Taxation, the State Administration of Industry and Commerce, the CSRC and the SAFE on 8 August 2006, and amended on 22 June 2009, provides that foreign investors are required to obtain the necessary approvals for the implementation of the following mergers and acquisitions (“**M&A**”): (1) a foreign investor's purchase of any equity interests of any shareholder of an enterprise in China as a foreign-invested enterprise (“**FIE**”) or subscribe to any increased capital of a Domestic Company, thus making the Domestic

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Company converted to and established as a FIE; or (2) making the foreign investor establish a FIE and purchase, through such enterprise, any asset of any Domestic Enterprise by an agreement and operate such asset, or the foreign investor purchase any asset of a Domestic Enterprise by an agreement and invest, with such asset, in the establishment of a FIE to operate such asset.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Foreign Exchange Control Regulations of the PRC (Amended in 2008) (《中華人民共和國外匯管理條例(2008修訂)》) which was promulgated by the State Council and came into effect on 5 August 2008, and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated by the People's Bank of China on 20 June 1996 and came into effect on 1 July 1996, PRC law has allowed RMB current accounts to be freely converted, meaning that foreign exchange receipts under current account items, which mean goods, services, gains and transactions items that are frequently transferred, etc., may be retained or sold to financial institutions engaging in conversion and sale of foreign currencies, and foreign exchange payments under current account items shall be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid documentation. But the capital accounts, including capital transfers, direct investments, investments in securities, derivatives and loans, etc., have not yet been freely convertible, and enterprises shall process registration formalities with the foreign exchange control authorities in advance.

According to the Notice of the SAFE on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special Purpose Vehicle (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, which was promulgated by the State Administration of Foreign Exchange and came into effect on 4 July 2014, prior to making contribution to a special purpose vehicle with legitimate holdings of domestic or overseas assets or interests, a domestic resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Where a registered overseas special purpose vehicle experiences changes of its domestic resident individual shareholder, its name, operating period or other basic information, or experiences changes of material matters, such as the increase or reduction of contribution by the Domestic resident individual, the transfer or replacement of equity, or merger or division, the domestic resident shall promptly apply for changing the foreign exchange registration of overseas investment with the Foreign Exchange Bureau concerned. The domestic resident may proceed with subsequent business (including the repatriation of profits and bonuses) only after completing the change of the foreign exchange registration of overseas investment. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to truthfully disclose the information on the actual controller of the enterprise established as a result of round-trip investment, the relevant Foreign Exchange Bureau shall mete out punishments.

In light of the Circular of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13 which was promulgated by the SAFE on 13 February 2015 and came into effect on 1 June 2015, to improve the efficiency on foreign exchange management, the SAFE has cancelled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, SAFE Circular 13 simplifies

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the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment. The SAFE Circular 13 has further revised the SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

According to the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the SAFE Circular 28, which was promulgated by the SAFE and came into effect on 23 October 2019, apart from foreign-invested enterprises engaged in investment business, foreign-invested enterprises engaged in other businesses are also permitted to make domestic equity investments with their capital funds under the condition that the 2019 Negative List is not violated and the relevant domestic investment projects are true and complied with.

PRC LAWS AND REGULATIONS RELATING TO OVERSEAS INVESTMENT

According to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC on 26 December 2017 and came into effect on 1 March 2018, and the Notice of the NDRC on Promulgating the List of Sensitive Industries for Outbound Investment (2018 Edition) (《國家發展和改革委員會關於發佈境外投資敏感行業目錄(2018年版)的通知》) which was promulgated by the NDRC on 31 January 2018 and came into effect on 1 March 2018, to make outbound investment, an Investor shall go through verification and approval, record-filing and other procedures applicable to outbound investment projects. The scope of Projects subject to administration by verification and approval shall include sensitive Projects carried out by Investors directly or via the overseas enterprises under their control. The scope of Projects subject to administration by record-filing shall include non-sensitive Projects directly carried out by Investors. Sensitive Projects shall include: projects involving sensitive countries and regions; and projects involving sensitive industries.

According to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) which was promulgated by the MOFCOM on 6 September 2014 and came into effect on 6 October 2014, and the Notice of the General Office of the State Council on Forwarding the Guiding Opinions of the NDRC, the Ministry of Commerce, the People's Bank of China and the Ministry of Foreign Affairs on Further Guiding and Regulating the Directions of Outbound Investment (《國務院辦公廳轉發國家發展改革委商務部人民銀行外交部關於進一步引導和規範境外投資方向指導意見的通知》) which was promulgated by the General Office of the State Council and came into effect on 4 August 2017, the MOFCOM and Provincial Competent Commerce Departments shall carry out administration either by record-filing or by verification and approval depending on different circumstances of outbound investment by Enterprises. Outbound investment by Enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by verification and approval. Outbound investment by Enterprises that falls under any other circumstances shall be subject to administration by record-filing.

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PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

According to the Patent Law of the PRC (Amended in 2008) (《中華人民共和國專利法(2008年修正)》), which was promulgated by the Standing Committee of NPC on 27 December 2008 and amended on October 17, 2020 and will come into effect on June 1, 2021, inventions shall include inventions, utility models and designs. The duration of the invention patent right, the utility model patent right and design patent right shall respectively be 20 years and 10 years, commencing from the date of application. The patentee shall pay annual fees commencing from the year when the patent right is granted. If the patent right of the patentee is infringed, the patentee or interested parties may file an action with the people's court, and may also request the department of the administration of patent-related work to handle the dispute. Anyone who counterfeits a patent of others shall, in addition to bearing civil liabilities in accordance with the law, be ordered by the department of the administration of patent-related work to make a correction, and an announcement shall be made accordingly. The relevant illegal gains shall be confiscated, and a fine may be imposed. If the act constitutes a criminal offence, criminal liabilities shall be imposed in accordance with the law.

According to the Trademark Law of the PRC (Amended in 2019) (《中華人民共和國商標法(2019年修正)》), which was promulgated by the Standing Committee of NPC on 23 April 2019 and came into effect on 1 November 2019, a registered trademark shall be valid for ten years, commencing from the date of registration approval. Where a trademark registrant intends to continue using the registered trademark upon expiry of its validity period, the trademark registrant shall complete renewal formalities within 12 months prior to the date of expiry in accordance with relevant provisions, where renewal formalities are not completed within the stipulated period, a six-month extension may be granted. Each renewal of registration shall be valid for ten years commencing from the date immediately following the date of expiry of the last validity period of the trademark. If no application for renewal is filed upon expiry of the grace period, the registered trademark shall be deregistered. In the event of an act of infringement of the exclusive right to use a trademark, the administrative departments for industry and commerce shall be granted with authority under the law to investigate on and punish against it. If it constitutes a criminal offence, they shall promptly transfer the case to a judicial authority for settlement in accordance with the law.

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, and the Implementation Rules of the China Internet Network Information Centre for Domain Name Registration (Amended in 2012) (《中國互聯網絡信息中心域名註冊實施細則(2012修訂)》), domain name registration services shall in principle implement "first apply first register". Domain name registration service agencies shall charge domain name operation fees for registered domain names. Domain name registration service agencies shall, prior to dates of domain name expiration, remind domain name holders to renew domain names in effective ways such as e-mail. Renewal confirmation period shall come after domain names expire automatically, and domain name holders shall confirm whether they will renew domain names within 30 days after domain names expire. If domain name holders make written statements that they will not renew domain names, domain name registration service agencies shall be entitled to cancel such domain names; if domain name holders fail to make written statements that they will not renew domain names and fail to renew domain names within 30 days, domain name registration service agencies shall be entitled to cancel such domain names after 30 days.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group can be traced back to 2004 when HBIS Company, a manufacturer of iron and steel in the PRC established in 1994 and listed on the Shenzhen Stock Exchange since 1997, decided to separate part of their industrial gas production on an experimental basis from their iron and steel production business. HBIS Company, which had the requisite industrial gas equipment and facilities and lands, then reached an understanding with Mr. Chen, our Controlling Shareholder, executive Director and Chairman, who had relevant technical expertise and management experience, to set up an industrial gas business in 2004.

Mr. Chen established OxyChina in February 2004 and OxyChina incorporated CGI, an investment holding company, in September 2006. Upon its incorporation, CGI acquired our Company from Offshore Incorporations (Cayman) Limited, the initial subscriber of our Company, in August 2006.

Mr. Chen together with, Mr. Hu, who joined OxyChina in November 2006, identified certain independent financial investors (the “**Initial Financial Investors**”) to provide the necessary financial resources for our industrial gas business at the earlier stage. In February 2007, pursuant to a joint venture agreement entered into between our Company and HBIS Company on 18 November 2006, our Company and HBIS Company together established TTG, our major operating subsidiary which primarily engages in industrial gas production and supply in Hebei Province, the PRC. In March 2007, the Initial Financial Investors, directly or indirectly through investment vehicles, became shareholders of CGI. Subsequently, Mr. Bai, our chief financial controller, and Mr. Zhou also became shareholders of OxyChina in December of the same year.

In early 2011, the Initial Financial Investors have decided to exit the investment based on their own commercial decision and in August 2011, Huang He, an investment company wholly owned by China Infrastructure whose general partner is CITP GP, replaced the Initial Financial Investors and became a shareholder of CGI. On 11 March 2011, Huang He (as lender), OxyChina (as borrower), CGI and Eastern Sky Limited (as security agent nominated by Huang He) entered into a loan and share subscription agreement (the “**Loan and Share Subscription Agreement**”), pursuant to which, (i) each of OxyChina and CGI agreed to borrow loans in the amount of approximately USD34.5 million and USD13.0 million, respectively, from Huang He and use part of the proceeds to acquire or redeem shares and bonds held by the Initial Financial Investors; and (ii) OxyChina agreed to (a) use part of the proceeds from the loan it borrowed from Huang He to subscribe for new shares in CGI; and (b) transfer such new shares in CGI to Huang He. Upon full payment of such loan by OxyChina to Huang He under the Loan and Share Subscription Agreement, Huang He agreed to transfer to OxyChina such number of shares in accordance with the terms thereunder. On the same day, Huang He (as lender), CGI (as borrower) and Eastern Sky Limited (as security agent nominated by Huang He) entered into a separate loan agreement (the “**CGI Loan Agreement**”, together with the Loan and Share Subscription Agreement, the “**Loan Agreements**”) to reflect the terms agreed on the Loan and Share Subscription Agreement, pursuant to which CGI agreed to borrow a loan in the amount of approximately USD13.0 million from Huang He and use part of the proceeds to redeem all the bonds and shares held by the Initial Financial Investors. Further, pursuant to the Loan Agreements, in

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

consideration of Huang He agreeing to enter into the Loan Agreements, (i) each of the shareholders of OxyChina agreed to charge all of OxyChina's shares registered in his own name; and (ii) OxyChina agreed to charge all of CGI's shares registered in its name, in favour of Eastern Sky Limited pursuant to respective share charges dated 25 July 2011 (the **"Share Charges"**).

As at the Latest Practicable Date, the total amounts payable by OxyChina and CGI, respectively, to Huang He under the Loan and Share Subscription Agreement and the CGI Loan Agreement, including the principal amounts of the loans and any interest payable thereunder, were approximately USD124.3 million and approximately USD25.6 million, respectively. Since 20 August 2016, (i) the loans payable to Huang He under the Loan Agreements have not been settled as (a) Huang He has not served any demand notice to OxyChina or CGI for the repayment of the loans since then; and (b) OxyChina, CGI and Huang He, including their respective shareholders, have been working together with a mutual intention to facilitate the listing application of our Company; and (ii) Huang He had the right to enforce the Share Charges, and they had not done so as at the Latest Practicable Date. On 21 October 2020, each of Huang He and Eastern Sky Limited irrevocably and unconditionally undertook to our Company and the Stock Exchange that, save as permitted under the Listing Rules or the Stock Exchange, not to enforce any part of their respective powers, privileges or rights (either beneficial or legal) under the Share Charges (i) from the date thereof until the Listing Date, if such enforcement shall result in our Company's failure to comply with Rule 8.05(1)(c) of the Listing Rules in respect of the ownership continuity and control; and (ii) subject to the Listing, during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the **"First Six-Month Period"**) and the period of six months commencing on the date which the First Six-Month Period expires, if such enforcement shall result in Mr. Chen and/or OxyChina's breach of Rule 10.07 of the Listing Rules in respect of the restrictions on disposal of Shares by the Controlling Shareholder after the Listing (the **"Undertaking"**). The Undertaking shall remain effective until the earlier of (i) the lapsing of the listing application by our Company or any renewed application of our Company agreed by Huang He and Eastern Sky Limited; or (ii) compliance with Rule 10.07 of the Listing Rules is not required; or (iii) the Stock Exchange has consented to its termination. After the Undertaking ceases to have effect, Huang He and Eastern Sky will be entitled to enforce any part of their respective powers, privileges or rights (either beneficial or legal) under the Share Charges. We will inform the Stock Exchange and upon Listing, our Shareholders in the event that the loans payable to Huang He under the Loan Agreements are fully settled and the Share Charges are released, or if the Share Charges are enforced, or in case of any material change of the terms of the Loan Agreements or the Share Charges by way of an announcement as soon as practicable.

Since the establishment of TTG, our Group has expanded and increased our production capacity by constructing our own industrial gas production facilities in close proximity to the Tangshan area, Hebei Province and acquiring further industrial gas production facilities from various members of the HBIS Group, and began to produce and supply industrial gas through pipelines to these other members of the HBIS Group on-site and liquefied industrial gas mainly to Independent Third Parties. For further details of our business and HBIS Company, please refer to the sections headed "Business" and "Relationship with Our Controlling Shareholders" in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KEY MILESTONES

Our major corporate and business developments are set out below:

Year	Event
August 2006	Our Company was incorporated.
February 2007	TTG was established and became our major operating subsidiary.
January 2008 to March 2008	TTG commenced operations for its two sets of 25,000Nm ³ /hr ASUs and one set of 40,000Nm ³ /hr ASU, a significant step towards scaling up and modernisation of equipment and mass production of our Group.
April 2009	TTG entered into an exclusive supply agreement with a renowned motor company for the supply of liquefied argon to the motor company, expanding its business into the automotive industry.
August 2009	TTG obtained the pharmaceutical products license (藥品註冊批件) for liquefied oxygen products from the State Food and Drug Administration of Hebei Province (河北省食品藥品監督管理局).
May 2010	TTG first delivered high purity oxygen products to Qinhuangdao, the PRC.
August 2010	TTG launched medical-use liquefied oxygen in Tangshan City and its counties, filling the gap of production of medical-use liquefied oxygen in such areas and following which, our products successfully entered the medical-use gas market in Beijing, the PRC.
December 2012	TTG's oxygen processing site for iron and steel production was awarded "National On-site Management Star Rating - 5 Star Site (全國現場管理星級評價五星級現場)" by the Chinese Association for Quality (中國質量協會).
August 2013	"Theoretical Study and Application of Best Energy Saving Model for Oxygen Processing System in Iron and Steel Enterprise (鋼鐵企業制氧系統最佳節能模式的理論研究與實踐)" project jointly completed by TTG, University of Science and Technology Beijing (北京科技大學) and HBIS Tangsteel was awarded the first prize of Metallurgical Science and Technology Award (冶金科學技術獎一等獎) by the China Iron and Steel Association (中國鋼鐵工業協會) and the Chinese Society for Metals (中國金屬學會).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
April 2016	TTG Yutian Branch obtained the license for manufacturing food additives for the food-grade carbon dioxide from the Hebei Food and Drug Administration (河北省食品藥品監督管理局), expanding our business further into the food additives manufacture industry.
July 2016	TTG was awarded the first prize of Hebei Metallurgical Science and Technology Award (河北冶金科學技術一等獎) and the first prize of Tangshan Science and Technology Progress Award (唐山科學技術進步一等獎).
November 2016	TTG was approved as a High and New Technology Enterprise by the Hebei Science and Technology Department (河北省科學技術廳), Hebei Finance Department (河北省財政廳), Hebei State Administration of Taxation (河北省國家稅務局) and Hebei Local Taxation Bureau (河北省地方稅務局).
October 2017	TTG was recognised as a “Rising Star in Technology (科技小巨人)” by Hebei Department of Science and Technology (河北省科學技術廳).

CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 August 2006 with an authorised share capital of US\$50,000 divided into 50,000 Shares of par value US\$1.00 each. Our Company is the holding company of our subsidiaries and its principal business activity is investment holding.

Upon incorporation, one Share was allotted and issued, credited as fully-paid, to Offshore Incorporations (Cayman) Limited as the initial subscriber and such subscriber Share was then transferred to CGI on 29 September 2006. On the same date, every share of US\$1.00 was subdivided into 10,000 Shares of US\$0.0001 each and the one subscriber Share held by CGI was subdivided into 10,000 Shares. On 20 March 2007, CGI subscribed for and was allotted and issued a further 50,654,978 Shares at a total consideration of US\$40,000,000, following which CGI held 50,664,978 Shares in aggregate, representing 100% of the then entire shareholding of our Company.

On 15 July 2015, as part of the corporate restructuring for our Company to act as an investment holding company for the portfolio of our operating subsidiaries in Hebei Province (the “**Corporate Restructuring**”) and pursuant to a share subscription agreement entered into between SH Huitang Zhihe and our Company, SH Huitang Zhihe agreed to subscribe for, and our Company agreed to issue and allot to SH Huitang Zhihe an aggregate of 50,664,978 Shares for a consideration settled by the transfer of 50% of the then entire equity interest in TTG held by SH Huitang Zhihe to our Company (the “**2015 Equity Transfer**”). The amount of consideration was determined with reference to the net asset value of TTG in the sum of approximately RMB910.8 million as at 30 June 2014 as appraised by an independent valuer. On 30 November 2015, 50,664,978 Shares were issued and allotted to SH Huitang Zhihe.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

After the 2015 Equity Transfer and immediately before the Reorganisation, our Company was owned as to 50% by CGI and 50% by SH Huitang Zhihe, respectively.

As part of the Reorganisation, on 25 November 2019, our Company allotted and issued 4,245,494 Shares to CGI at a total consideration of US\$9.65 million by way of capitalisation of a shareholder's loan. For details, please refer to the paragraphs headed “— Reorganisation — Step 1: Repayment of the shareholder's loan by TTG and allotment of our Shares to CGI” in this section of this prospectus. As a result, our Company was owned as to approximately 52.01% by CGI and 47.99% by SH Huitang Zhihe, respectively.

Pursuant to a share transfer agreement entered into between SH Huitang Zhihe and HK Huitang Zhihe on 18 December 2019, SH Huitang Zhihe agreed to sell and HK Huitang Zhihe agreed to purchase 50,664,978 Shares, representing approximately 47.99% of the then shareholding of our Company for a consideration of US\$5,066.5 (the “**Huitang Zhihe Share Transfer**”). The amount of consideration was determined with reference to the aggregate par value of the Shares being transferred.

On 17 June 2020, our Shareholders passed resolutions in writing and approved, among others, the increase of our authorised share capital from US\$50,000 divided into 500,000,000 Shares of par value US\$0.0001 each to US\$200,000 divided into 2,000,000,000 Shares of par value US\$0.0001 each by the creation of additional 1,500,000,000 new Shares of par value US\$0.0001 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions.

Pursuant to the resolutions of our then Shareholders passed on 17 June 2020, subject to the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors have been authorised to capitalise an amount of US\$79,442.455 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 794,424,550 Shares at par value for allotment of issue to our Shareholders whose names appeared on the register of members of our Company at the close of business on 17 June 2020 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share). The Shares to be allotted and issued pursuant to these resolutions shall rank *pari passu* in all respects with the existing issued Shares.

Our Subsidiaries

TTG

Establishment of TTG

TTG was established in the PRC as a sino-foreign equity joint venture enterprise with limited liability on 8 February 2007 with a registered capital of RMB777,965,404.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon establishment, TTG was owned as to 50% by our Company and 50% by HBIS Company. TTG is principally engaged in the production and sales of industrial gas (including pipeline industrial gas and liquefied industrial gas), with oxygen, nitrogen, argon, hydrogen and carbon dioxide being its main industrial gas products.

The following table sets out certain information of the branches of TTG in four different locations within Tangshan City in Hebei Province, the PRC as at the Latest Practicable Date:

Name of the Branch	Date of establishment	Principal activities
TTG Stainless Steel Branch	18 June 2012	Production of oxygen (compressed), liquefied oxygen, nitrogen (compressed), liquefied nitrogen, argon (compressed), liquefied argon and hydrogen
TTG Ironmaking Branch	18 June 2012	Production of oxygen (compressed), liquefied oxygen, nitrogen (compressed), liquefied nitrogen, argon (compressed), liquefied argon and hydrogen
TTG Yutian Branch	12 June 2014	Production and sales of carbon dioxide (liquefied), carbon dioxide in liquid form (food additives) and carbon dioxide in solid form.
TTG Laoting Branch	16 January 2017	Production and sales of oxygen (compressed), liquefied oxygen, nitrogen (compressed), liquefied nitrogen, argon (compressed) and liquefied argon

Equity transfer from HBIS Company to SH Huitang Zhihe

On 15 November 2014, as part of the Corporate Restructuring, HBIS Company agreed to transfer 50% of the equity interest in TTG held by it to SH Huitang Zhihe as capital contribution at a total value of approximately RMB389.0 million to establish SH Huitang Zhihe (the “**2014 Equity Transfer**”).

After the 2014 Equity Transfer, TTG was owned as to 50% by our Company and 50% by SH Huitang Zhihe.

Share transfer by SH Huitang Zhihe to our Company

After the 2015 Equity Transfer as mentioned in the paragraphs headed “— Corporate history — Our Company” in this section of this prospectus, and immediately before the Reorganisation, TTG was wholly owned by our Company as a WFOE.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Luanxian Tangsteel Gases

Luanxian Tangsteel Gases was established in the PRC as a limited liability company on 3 December 2013, with a registered capital of RMB12.0 million. Upon establishment and as at the Latest Practicable Date, Luanxian Tangsteel Gases was wholly-owned by TTG. Luanxian Tangsteel Gases is principally engaged in the production and sales of LNG, hydrogen and provision of gas transmission service.

Tangsteel Dongxin Village

Tangsteel Dongxin Village was established in the PRC as a limited liability company on 22 January 2016, with a registered capital of RMB3.0 million. Upon establishment and as at the Latest Practicable Date, Tangsteel Dongxin Village was wholly-owned by TTG. Tangsteel Dongxin Village is principally engaged in operating gases (LNG and CNG) refuelling stations for gas vehicles.

Zhongqi Investment

Zhongqi Investment was established in the PRC by our Company as a limited liability company on 20 July 2018, with a registered capital of RMB72.0 million. On 10 December 2018, our Company and TTG entered into an equity transfer agreement, pursuant to which it was agreed the entire equity interest in Zhongqi Investment being transferred to TTG (the “**Zhongqi Investment Equity Transfer**”) for a consideration of RMB2.0 million, which was determined with reference to the registered capital and has been fully paid. Upon completion of the Zhongqi Investment Share Transfer and as at the Latest Practicable Date, Zhongqi Investment was wholly-owned by TTG, which in turn, was wholly-owned by our Company. Zhongqi Investment has not yet commenced business operation since its establishment and it is intended that Zhongqi Investment will principally engage in the production and sales of industrial gas and operation of the Zhongqi Investment plant.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation. The steps taken pursuant to the Reorganisation are summarised as follows:

Step 1: Repayment of the shareholder’s loan by TTG and allotment of our Shares to CGI

Upon establishment of TTG in 2007, (i) HBIS Company granted TTG the right to use the Buildings under the Building Use Agreement; and (ii) our Company (which was then wholly-owned by CGI) entered into an arrangement with TTG to provide a long-term interest free loan to TTG with the principal amount of approximately USD9.65 million (equivalent to RMB72.1 million the value of the right to use the Buildings under the Building Use Agreement as appraised by an independent valuer) (the “**Shareholder’s Loan**”). In 2015, our Company transferred its right under the Shareholder’s Loan to CGI, the then sole shareholder of our Company. The Shareholder’s Loan was recorded as other reserve in equity in the consolidated balance sheets.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 17 December 2018, HBIS Company, TTG and CGI entered into an agreement, pursuant to which, among others, TTG and CGI agreed that the Shareholder's Loan would be fully settled with a cash repayment of USD9.65 million by TTG to CGI, and CGI agreed to subscribe for such number of new Shares in the total value of an amount equivalent to the amount of the Shareholder's Loan repaid. The repayment of the Shareholder's Loan by TTG to CGI was recorded as a reduction in the balance of other reserves.

On 7 June 2019, an interest-free loan agreement was entered into between our Company and CGI, pursuant to which, CGI agreed to advance an interest-free loan with the principal amount of USD9.65 million, which shall be repaid upon CGI's request. On 25 November 2019, our Company allotted and issued 4,245,494 Shares to CGI by way of capitalising the loan owed by our Company to CGI in the amount of USD9.65 million, equivalent to the amount of the Shareholder's Loan repaid (the **"Allotment of Shares"**). Such subscription price was determined with reference to the net asset value of our Company in the sum of approximately RMB1.56 billion as at 31 March 2019 as appraised by an independent valuer.

Upon completion of the Allotment of Shares, our Company was owned as to approximately 52.01% by CGI and 47.99% by SH Huitang Zhihe, respectively.

Step 2: Incorporation of HK Huitang Zhihe and acquisition of approximately 47.99% shareholding in our Company from SH Huitang Zhihe by HK Huitang Zhihe

On 26 November 2019, HK Huitang Zhihe was incorporated in Hong Kong as a private company with limited liability. Upon incorporation, 50,000 ordinary shares were allotted and issued to SH Huitang Zhihe, credited as fully paid.

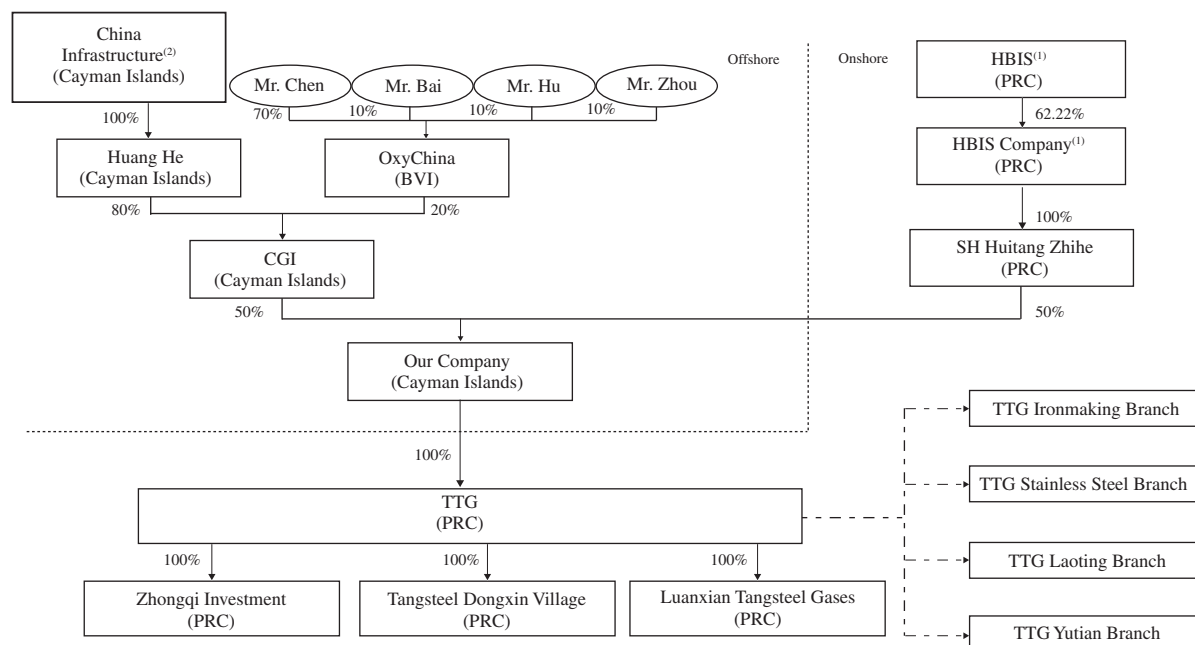
Pursuant to a share transfer agreement entered into between SH Huitang Zhihe and HK Huitang Zhihe on 18 December 2019, SH Huitang Zhihe agreed to sell and HK Huitang Zhihe agreed to purchase 50,664,978 Shares, representing approximately 47.99% of the then shareholding of our Company for a consideration of US\$5,066.5 (the **"Huitang Zhihe Share Transfer"**). The amount of consideration was determined with reference to the aggregate par value of the Shares being transferred.

Upon completion of the Huitang Zhihe Share Transfer, our Company was held as to approximately 47.99% by HK Huitang Zhihe, which in turn, was wholly-owned by SH Huitang Zhihe, and 52.01% by CGI, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Group immediately prior to the Reorganisation:

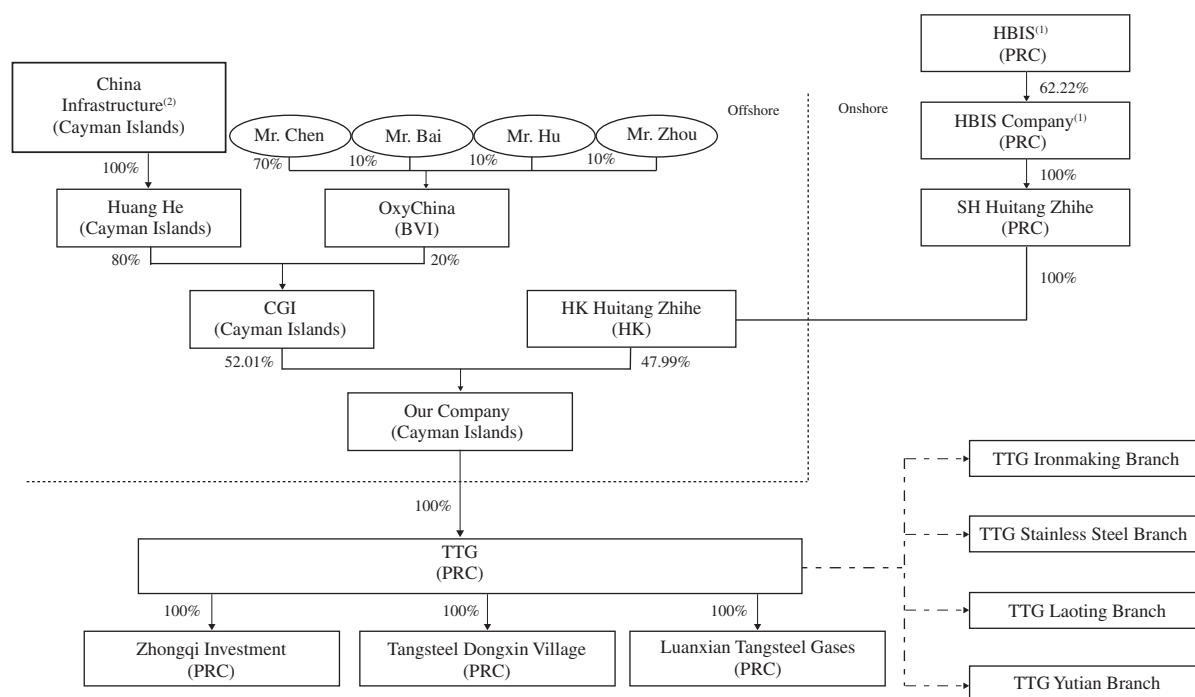


Notes:

- (1) HBIS Company is currently listed on the Shenzhen Stock Exchange (Stock Code: 000709). As at the Latest Practicable Date, HBIS Company was directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel were owned by HBIS as to 100%, 100% and 92.99%, respectively. As such, as at the Latest Practicable Date, HBIS through its subsidiaries together indirectly held approximately 62.22% equity interest in HBIS Company.
- (2) The general partner of China Infrastructure is CITP GP. Bank of China Limited and Temasek Holdings (Private) Limited are the ultimate shareholders of CITP GP.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Group after completion of the Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering:

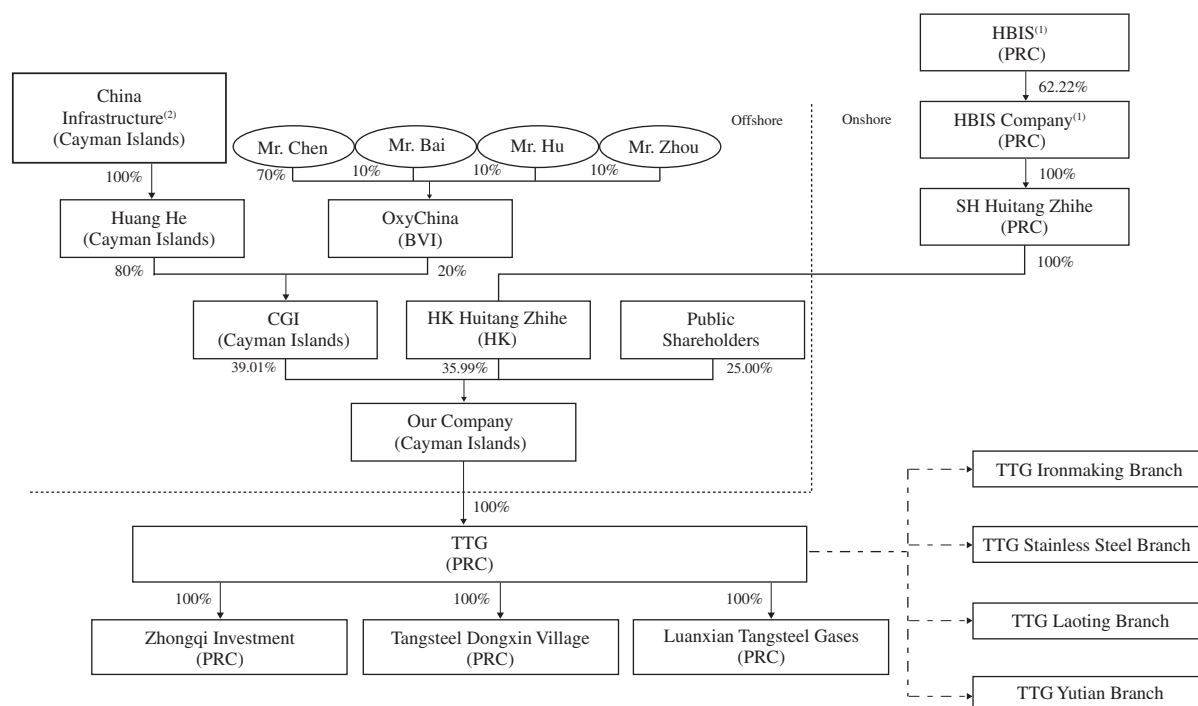


Notes:

- (1) HBIS Company is currently listed on the Shenzhen Stock Exchange (Stock Code: 000709). As at the Latest Practicable Date, HBIS Company was directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel were owned by HBIS as to 100%, 100% and 92.99%, respectively. As such, as at the Latest Practicable Date, HBIS through its subsidiaries together indirectly held approximately 62.22% equity interest in HBIS Company.
- (2) The general partner of China Infrastructure is CITP GP. Bank of China Limited and Temasek Holdings (Private) Limited are the ultimate shareholders of CITP GP.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



Notes:

- (1) HBIS Company is currently listed on the Shenzhen Stock Exchange (Stock Code: 000709). As at the Latest Practicable Date, HBIS Company was directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel were owned by HBIS as to 100%, 100% and 92.99%, respectively. As such, as at the Latest Practicable Date, HBIS through its subsidiaries together indirectly held approximately 62.22% equity interest in HBIS Company.
- (2) The general partner of China Infrastructure is CITP GP. Bank of China Limited and Temasek Holdings (Private) Limited are the ultimate shareholders of CITP GP.

PRC LEGAL COMPLIANCE

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

On 8 August 2006, six PRC ministries and commissions, including MOFCOM and CSRC, promulgated the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and revised on 22 June 2009. The M&A Rules, among other things, provides that a foreign investor seeking acquisition of the equity interest in a non-foreign-invested PRC enterprise, or purchasing and operating the assets of that enterprise by establishing a foreign-invested enterprise in the PRC, shall obtain the approval of MOFCOM or its counterparts at provincial level.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisers, no approvals under the M&A Rules are required in respect of our Reorganisation.

SAFE Circular 37

According to SAFE Circular 37 issued by the SAFE in 2014, before a domestic resident contributes its legally owned onshore or offshore assets or equity into a special purpose vehicle, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to, among others, the domestic individual resident shareholder, the operating period, capital and merger or division events of the special purpose vehicle. Pursuant to SAFE Circular 13 promulgated by SAFE, which became effective on 1 June 2015, SAFE registration was delegated from local SAFE branches to local banks.

As advised by our PRC Legal Advisers, certain minority Shareholders, who are PRC citizens and will in aggregate beneficially hold less than 2% of equity interest in our Company upon Listing, are subject to the aforesaid registration requirements under SAFE Circular 37. However, their respective registration procedures have not been completed yet. There remains uncertainty in the implementation of the latest SAFE rules at practice level. Due to the inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. For details, please refer to the section headed “Risk Factors — Risks relating to doing business in the PRC — The relevant PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities, or otherwise adversely affect our financial position” in this prospectus.

Our PRC Legal Advisers and Conyers Dill & Pearman, our legal advisers as to Cayman Islands laws, have confirmed in relation to our Group, that all necessary approvals, permits and licenses required under PRC and Cayman laws and regulations respectively in connection with our Reorganisation have been obtained and the Reorganisation has complied with all applicable laws and regulations of the PRC and Cayman Islands in all material respects, respectively. Our Directors have further confirmed that each of the share transfers mentioned above for the purpose of the Reorganisation was properly and legally completed and settled.

BUSINESS

OUR MISSION — TO BECOME A MARKET LEADER AND THE MOST INFLUENTIAL INDUSTRIAL GAS SUPPLIER IN THE PRC

We are an industrial gas supplier operating in Hebei Province. Our industrial gas products include oxygen, nitrogen, argon, hydrogen and carbon dioxide. Industrial gas is widely used globally in a diverse range of industries. Particularly, industrial gas products are important raw materials for the production of iron and steel. According to the Frost & Sullivan Report, there are likely to be development opportunities for the industrial gas industry following large demand from downstream sectors and certain strong support from the PRC Government. Please refer to the section headed “Industry Overview” in this prospectus for further details. Our mission is to become a market leader and the most influential industrial gas supplier in the PRC. By establishing our presence in strategic geographical locations and expanding our market share in downstream sectors, we strive to become the best and the most profitable industrial gas supplier in the PRC. We aim to fully utilise our production facilities to maximise our production volume and service quality and to become not only a preferred supplier but also a long-term business partner of our customers by providing them with quality products, advanced technology support and comprehensive services. Leveraging our experience, we believe that we are well positioned to continue to grow our business in the future.

OVERVIEW

We have been in operation since 2007, and we were the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019 according to the Frost & Sullivan Report. The Jing-Jin-Ji Region, comprising Beijing, Tianjin and Hebei Province, is the largest urbanised megalopolis region in North China and the leading regional market of industrial gas in China in terms of revenue. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. Apart from the iron and steel industry which represents the largest industrial gas consumption in the Jing-Jin-Ji Region in terms of revenue, petrochemical, other chemicals and electronics record large demands for industrial gas in the Jing-Jin-Ji Region. As such, the Jing-Jin-Ji Region represents significant potential opportunity for industrial gas suppliers to develop and grow. During the Track Record Period and up to the Latest Practicable Date, we mainly focused on the supply of pipeline industrial gas and liquefied industrial gas. We also operated a relatively small-scale LNG-related business which included the supply of LNG and provision of gas transmission service.

We are the exclusive pipeline industrial gas supplier for a few members of the HBIS Group, a leading iron and steel producer in the PRC. HBIS Company, a member of the HBIS Group, is one of our founding shareholders. TTG was first established as a joint venture between HBIS Company and CGII in 2007. HBIS Company is owned directly and indirectly by subsidiaries of HBIS, which is a wholly-owned subsidiary of Hebei Province SASAC. For more information regarding our establishment and shareholding structure, please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

Given the historical background, since commencement of our operations, we have been supplying pipeline industrial gas to iron and steel companies of the HBIS Group which require our industrial gas products as raw materials for their iron and steel production. Through our on-site gas production facilities located on or in close proximity to the production premises of those companies, we are able to provide a stable and reliable supply of pipeline industrial gas to facilitate their

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production of iron and steel. We believe that we have developed a strategic and mutually beneficial relationship with the HBIS Group. For more information relating to our relationship with the HBIS Group, please refer to the paragraphs headed “— Our business — Relationship with members of the HBIS Group” in this section of this prospectus.

Our primary product is pipeline industrial gas, which is produced by our ASUs. Revenue generated from the supply of pipeline industrial gas accounted for approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. During the Track Record Period, all of our revenue generated from our supply of pipeline industrial gas was derived from sales to members of the HBIS Group.

We produce and supply liquefied industrial gas primarily to offsite independent end-user customers. The production process of liquefied industrial gas is almost identical to that of pipeline industrial gas except that it involves additional liquefaction processing. Accordingly, the production of pipeline industrial gas, as well as liquefied industrial gas, increases our overall revenue generation and enhances our overall operational efficiency by optimising the utilisation of our ASUs. Revenue generated from our supply of liquefied industrial gas accounted for approximately 23.1%, 25.3%, 19.6% and 17.0% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Our LNG-related business includes the supply of LNG and provision of gas transmission service. The supply of LNG refers to our production and sales of LNG products. The provision of gas transmission service refers to our COG pressurisation and transmission service. Since 2017, due to the reduced supply of COG available to us for LNG production purposes, the level of our supply of LNG has decreased and most of the revenue generated from our LNG-related business was derived from the provision of gas transmission service. Revenue generated from our LNG-related business accounted for approximately 9.6%, 10.7%, 7.9% and 5.9% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. We have no present intention to discontinue our supply of LNG. HBIS Tangshan Branch was the sole customer for our gas transmission service during the Track Record Period.

We have a stable track record during the Track Record Period. Our revenue increased from approximately RMB1,027.2 million for the year ended 31 December 2017 to approximately RMB1,145.6 million for the year ended 31 December 2018, and further to approximately RMB1,305.2 million for the year ended 31 December 2019. Our revenue decreased from approximately RMB686.7 million for the six months ended 30 June 2019 to approximately RMB597.7 million for the six months ended 30 June 2020. Our profit for the year increased from approximately RMB80.0 million for the year ended 31 December 2017 to approximately RMB119.8 million for the year ended 31 December 2018, and further to approximately RMB133.8 million for the year ended 31 December 2019. Our profit for the period decreased from approximately RMB91.6 million for the six months ended 30 June 2019 to approximately RMB64.7 million for the six months ended 30 June 2020.

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OUR COMPETITIVE STRENGTHS

We believe our achievements to date and potential for future growth can be attributed to the following competitive strengths:

A market leader and the second largest industrial gas supplier in the Jing-Jin-Ji Region

We were the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019, according to the Frost & Sullivan Report. The Jing-Jin-Ji Region comprises Beijing, Tianjin and Hebei province and is the largest urbanised megalopolis region in North China. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. Our business involves the production and supply of both pipeline and liquefied industrial gas. We optimise the utilisation rate of our production facilities and improve production efficiency by producing liquefied industrial gas at our production plants after our customers' demand for pipeline industrial gas has been fully satisfied. The production and sales of liquefied industrial gas gives rise to additional revenue for our operations. As at 30 June 2020, our total designed production capacities for oxygen, nitrogen and argon were 218,500 Nm³/hr, 247,000 Nm³/hr and 7,785 Nm³/hr, respectively. For more information regarding our designed production capacity, please refer to the paragraphs headed “— Our business — Our production facilities” in this section of this prospectus.

We believe we have created strong brand recognition and have enhanced our industry reputation. We were recognised as a “Rising Star in Technology (科技小巨人)” by Hebei Department of Science and Technology (河北省科學技術廳) in October 2017. We also received a “Metallurgical Science and Technology Award (冶金科學技術獎)” by the China Iron and Steel Association (中國鋼鐵工業協會) and The Chinese Society for Metals (中國金屬學會) in August 2013.

During the Track Record Period, we had four industrial gas production plants in operation and one under development. All these production plants are located in Tangshan, Hebei Province. According to the Frost & Sullivan Report, approximately 46.0% of the industrial gas in the Jing-Jin-Ji Region were consumed by the iron and steel industry in 2019. As our major customers operate in the iron and steel industry, their demand for industrial gas will continue to support the growth of our business.

Strategic relationship with the HBIS Group as its industrial gas supplier

CGII and HBIS Company, which is a state-owned enterprise, established a joint venture in 2007 when the HBIS Group began to outsource its pipeline industrial gas supply. We consider that we are a successful example of mixed ownership reform (混合制改革), i.e., reform involving the combination of state-owned ownership with non-state owned ownership, in Hebei Province. Through collaboration between our strategic investor, Huang He, the management team and industry experts of CGI, we successfully took control, modified and upgraded the industrial gas production plants previously owned by HBIS Company, improved their competitiveness and became a market leader in the industrial gas industry in the Jing-Jin-Ji Region.

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We have been the exclusive pipeline industrial gas supplier to a few iron and steel companies of the HBIS Group since the commencement of our operations at the Tangsteel Gases headquarters plant, the Tangsteel Gases Ironmaking Branch plant and the TTG Stainless Steel Branch in April 2007. The HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in 2019, according to the Frost & Sullivan Report. HBIS Company, which is a subsidiary of HBIS, has been listed on the Shenzhen Stock Exchange (stock code: 000709) since 1997. For the year ended 31 December 2019 and the six months ended 30 June 2020, HBIS Company recorded revenue of approximately RMB121.5 billion and RMB50.4 billion, respectively. HBIS Company had total assets of approximately RMB211.9 billion and RMB208.4 billion as at 31 December 2019 and 30 June 2020, respectively.

Over years of cooperation and given our special relationship with the HBIS Group, we have developed a strategic and mutually beneficial relationship with them. While our business with members of the HBIS Group contributed significantly to our revenue, the iron and steel production of these members requires our stable and reliable supply of pipeline industrial gas produced at our gas production facilities located on or in close proximity to them. Given the original contribution of production facilities by HBIS Company and our subsequent investments in improving and expanding the production facilities, together with our ability to deliver high quality gas products reliably and at competitive prices, our Directors expect that our strategic cooperation with the HBIS Group will continue to solidify alongside the long-term growth prospects of the HBIS Group. In the future, we expect to expand our business operations and to explore the opportunities of supplying pipeline industrial gas to iron and steel plants controlled by other companies within the HBIS Group.

As one of the Controlling Shareholders of our Company, HBIS Company is able to enjoy stable and reliable pipeline industrial gas supply at competitive prices, whilst at the same time sharing profits by way of receiving dividends from our operations, if declared. Our customers within the HBIS Group have aligned interests with us and we consider them not only to be our customers but also our business partners. Notwithstanding the close relationship with our business partners, we maintain complete autonomy in our business operations. We possess an effective corporate governance structure which enables us to carry out our business independently from the HBIS Group from an operational, management and financial perspective. For further details on the relationship and our corporate governance measures, please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus.

An efficient, established and proven business model for over 12 years

We have autonomously run an efficient, established and proven business model for over 12 years. Our Directors consider that the success of our business model is built upon the stable and predictable earnings secured by long-term pipeline industrial gas supply contracts and our efficient production process driven by advanced proprietary technology.

Most of our long-term industrial gas supply contracts with our pipeline industrial gas customers which are members of the HBIS Group have a duration of either 15 or 30 years. These contracts provide for a monthly minimum purchase volume for each type of pipeline industrial gas products which our pipeline industrial gas customers are required to purchase from us as well as a price adjustment mechanism to provide for fluctuations in electricity prices. Monthly settlement is made by

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each pipeline industrial gas customer on the basis of the actual volume supplied, subject to the minimum purchase volume. We generated approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue from our supply of pipeline industrial gas for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020. The revenue generated from our supply of pipeline industrial gas is more stable and less exposed to market volatilities compared to that generated from our supply of liquefied industrial gas and our LNG-related business.

We have developed our own advanced, reliable and cost-efficient production process and technology. We have a dedicated team of engineers based in our TTG headquarters who possess the capability to design and develop gas production solutions. The operation of our gas production facilities involves the application of a series of computer programmes, which enables the automated and coordinated production of pipeline and liquefied industrial gas. This system enhances our production precision and efficiency. As at the Latest Practicable Date, we had obtained 52 utility patents and 11 software copyrights in respect of the system that optimises our industrial gas production. For details, please refer to the section headed “Statutory and General Information — B. Further information about our business — 2. Our intellectual property rights” in Appendix IV to this prospectus.

We work closely with our pipeline industrial gas customers to understand their production plans and to ascertain their needs. This enables us to provide them with a reliable and stable pipeline gas supply in a coordinated manner and at the same time preventing or minimising unnecessary wastage. We have developed technical solutions to reduce the release of unutilised industrial gas in the iron and steel production process, which minimises the industrial gas requirements of our pipeline industrial gas customers and helps them to save costs. One of our key operational principles is to aim for zero wastage of our pipeline industrial gas and designed production capacity. We maintain a high operational efficiency and effective cost control by utilising the remaining capacity of our industrial gas production facilities to produce and supply liquefied industrial gas. The liquefied industrial gas that we produce can also serve as a back-up for pipeline industrial gas customers in the event of an emergency or production downtime and give those customers further assurance of a stable and reliable supply of pipeline industrial gas. Our liquefied gas reserves are expected to be able to ensure a continuous supply of pipeline industrial gas for at least 40 hours in case of any production interruption.

The production of industrial gas products requires a high level of electricity supply. Electricity cost is the largest component of our cost of revenues. Our operations and engineering teams apply a combined variable oxygen supply method for ASUs and enhance our price competitiveness over our competitors by reducing our electricity cost. We have weekly meetings to review the electricity consumption of our production facilities and adjust our production processes to ensure our electricity cost is under control.

As a result of our efficient, established and proven business model, we have achieved strong profitability. Our profit for the year increased from approximately RMB80.0 million for the year ended 31 December 2017 to approximately RMB119.8 million for the year ended 31 December 2018, and further to approximately RMB133.8 million for the year ended 31 December 2019. Our profit for the period decreased from approximately RMB91.6 million for the six months ended 30 June 2019 to approximately RMB64.7 million for the six months ended 30 June 2020, primarily due to the impact of COVID-19 mainly during March and April 2020.

Favourable government initiatives and good government relationship leading to strong and sustainable support

Based in Tangshan, Hebei Province, we enjoy benefits from government initiatives concerning the Jing-Jin-Ji Region and its integration. The Outline of the Plan for Coordinated Development for the Jing-Jin-Ji Region (《京津冀協同發展規劃綱要》) issued in April 2015 aimed at optimising the integrated development of the region. The Outline envisaged that different areas in the region would build on their strengths, complementing each other and maximising the synergies between them. In this regard, Hebei Province is well known for its heavy industries, especially iron and steel production. The Jing-Jin-Ji Region Integration Plan (加強環渤海及京津冀地區協同發展) mentioned in Report on the Work of the Government (《政府工作報告》) in March 2014 spelt out the vision in relation to upgrading and modernising such heavy industries within the region and improve their position in the manufacturing value chain. The designation of Xiong'an New Area (雄安新區) in April 2017 should encourage further investment from the governments and coordination amongst different areas of the region. In August 2019, China announced a master plan introducing six new pilot free trade zones which included Hebei Province, and this would likely further encourage the coordinated development of the Jing-Jin-Ji Region and the corresponding regional integration. For more information regarding favourable policy environment, please refer to the section headed "Industry Overview — Market drivers of China's and the Jing-Jin-Ji Region's industrial gas industry" in this prospectus.

As a result of reallocation and integration of resources within the region, we expect the creation of new markets for industrial gas supply. Hebei Province will become an important national base for trading and logistics, a pilot zone for industrial transformation and upgrading, a demonstration area for modern urbanisation and urban-rural integration and an ecological buffer zone. Also, Hebei Province is expected to move away from heavy industries by upgrading and modernising its industrial base, towards higher-end manufacturing industries which include the downstream industries of industrial gas supply, such as electronic chip manufacturing industry, bringing about opportunities for industrial gas providers in Hebei province like us. Better infrastructure within the region including an upgraded and more integrated transportation system will also reduce the logistical costs of selling our liquefied industrial gas and will expand our customer base to more diversified industries.

We have maintained a good relationship with the local governments where we operate and we enjoy strong and sustained government support. TTG and Luanxian Tangsteel Gases, which are our subsidiaries, were approved as High and New Technology Enterprises in the PRC in 2016 and 2018, respectively. Accordingly, TTG and Luanxian Tangsteel Gases enjoyed a preferential income tax rate of 15% from 2016 to 2018 and from 2018 to 2020, respectively. On 10 September 2019, TTG received a renewed certificate of High and New Technology Enterprise and thus the 15% preferential income tax rate will continue to apply to TTG for another three years from 2019. In 2013, we initiated the establishment of a provincial wide industry association, Hebei Province Industrial Gas Association, to promote communication and collaboration between government authorities and industry players. Through the association, industry stakeholders share their latest technology and know-how and provide service and mutual support. As the founding member of, and with a leading role in, this association, we believe we are well placed to expand our business. With strong government backing, we believe we are presented with immense opportunities and we will be able to grow faster than our competitors.

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Top quality management and industry experts from CGI and experienced engineering team from HBIS Company

Our management team, led by Mr. Chen (one of our founders, our Chairman, our executive Director and one of the indirect shareholders of CGI), and Mr. Yao Li, our executive Director and general manager of TTG, possess extensive operating experience and industry knowledge in the industrial gas market in the PRC. Mr. Chen has over 33 years of working experience in the industrial gas industry including serving as the chief representative in China for BOC (China) Holdings Co., Ltd., a company principally engaged in the production and sales of industrial gas. He also served as the chief representative of Eaton (China) Investments Co., Ltd., a company principally engaged in power management and the manufacture and sales of mechanical components. Mr. Chen obtained his master's degree in nuclear science from Cornell University of the United States in June 1986. Mr. Yao has over 35 years of working experience in the industrial gas industry and has held various positions within HBIS Group. Mr. Yao obtained his bachelor's degree in chemical engineering from Hebei Institute of Technology (河北工學院) (currently known as Hebei University of Technology (河北工業大學)) in China in July 1985 and his master's degree in technical economics from Renmin University of China (中國人民大學) in June 2001. Mr. Yao further obtained his doctoral degree in metallurgy and engineering from University of Science and Technology Beijing (北京科技大學) in China in January 2015. Over the years, we have built a capable and loyal management team, and each member of that team has, on average, over 20 years of experience in the industrial gas industry. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for further details. We believe that our experienced management team has provided, and will continue to provide, us with invaluable strategic direction and knowledge to stay ahead of the competition we face and to manage challenges in the future.

Our management team is supported by well-trained staff and engineering teams with experience and knowledge of the industrial gas industry. Most of our managerial and technical staff have experience working with the oxygen supply division of iron and steel plants within the HBIS Group and have accumulated extensive knowledge in the construction, design and operation of gas production facilities. Our technical and engineering teams have strong loyalty to our Company and most of them have been with us for over 10 years. We consider them to be our assets and we dedicate resources to their training and development. We seek to provide them with ample opportunities and incentives and continue to invest in their training, which we believe is important for our long-term success and sustainable future growth.

OUR STRATEGIES

Leveraging on our competitive strengths, we aim to further strengthen our position as a leading industrial gas supplier in the Jing-Jin-Ji Region and to tap into potential market opportunities. We plan to implement the following strategies to achieve our goals:

Continue to strengthen our industry-leading position in the Jing-Jin-Ji Region

We intend to continue to strengthen our leading position in the Jing-Jin-Ji Region through actively capturing growth in market demand and further expanding our market share. As at the Latest Practicable Date, we had one production plant under development, namely the Zhongqi Investment plant located in Laoting which is a major industrial zone for iron and steel production in Tangshan.

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The Zhongqi Investment plant is expected to enhance our designed production capacity and we anticipate an increase in customer demand for our industrial gas produced at the new plant. The construction of that plant is planned to be completed in two phases. Upon completion of the Phases I and II construction, we expect to increase our total installed oxygen capacity by approximately 127,000 Nm³/hr from 218,500 Nm³/hr as at 30 June 2020. The Zhongqi Investment plant expects to commence its trial operation by the end of October 2020. It is expected that the trial operation will take no more than 180 days before full operation commences. We anticipate an increase in customer demand following the completion of the Zhongqi Investment plant. Pursuant to the cooperation agreement dated 10 May 2018 with HBIS Laosteel, we shall be the exclusive industrial gas supplier for HBIS Laosteel for 15 years from a date to be agreed by both parties. Apart from HBIS Laosteel, the Zhongqi Investment plant enables us to continue maintaining close proximity with our customers, which are iron and steel production plants that are located and/or relocated within or in close proximity of Laoting driven by the government's initiatives to promote iron and steel production capacity replacement and consolidation. For more information regarding our relocation plan, please refer to the paragraphs headed “— Our business — Our production facilities — Production plant under development” in this section of this prospectus.

With extensive experience of working closely with the HBIS Group, we will try to replicate our tested business model to serve other sizable state-owned enterprises and become their on-site pipeline industrial gas supplier. We expect that we can further benefit from economies of scale and reduce our cost of revenues as our scale of operations continues to grow. We believe that we are able to enhance our leading position by leveraging our experience and the resources available to us.

Further diversify our industrial gas products portfolio and expand our target market through industry and customer diversification

We intend to produce special gases and mixed noble gas at the Zhongqi Investment plant when it is appropriate to develop such new products after it is fully in operation. According to the Frost & Sullivan Report, for the supply of pipeline industrial gas, suppliers are by nature required to be located on or in close proximity to the production plants of their customers; and for the supply of liquefied industrial gas, there is a limited coverage area in which any supplier can provide this service given the cost of transportation, considering the reliability, stability and efficiency of the supply. Such coverage distance is typically approximately 250-300km in radius. Special gases, due to its high value and chemical property, is delivered to customers in either cylinders or dewars, and there is less of a distance constraint for the special gases. Accordingly, there is no geographical limitation to expand our potential customers and we can set up our national-wide sales network in respect of special gases and mixed noble gas. Also, the market price profit margins of special gases and mixed noble gas is expected to be higher, further enhancing our profitability. By diversifying our gas products portfolio, we can further expand the geographical coverage and reach out to more potential target customers.

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We also intend to expand and further diversify our customer base through reaching out to potential customers operating in a broader range of downstream industries such as petrochemical, chemical and electronics. According to the Frost & Sullivan Report, the continuous growth of these downstream industries is expected to stimulate the demand for industrial gas in future. The electronics industry, one of the major downstream industries of the industrial gas industry, has been developing rapidly in the PRC in recent years. This development is driven by direct investment of both domestic and foreign enterprises with the support of the central government. According to the National Medium and Long-term Program for Science and Technology Development (2006-2020) (《國家中長期科學和技術發展規劃綱要》), the industrialisation of high-purity specialty gases for the electronics industry has been listed as a major special project along with the development of large scale integration. We seek to capture the opportunity and increase our market share, product offerings and recognition in the electronics industry.

Strategically expand our geographical coverage

We aim to maintain our established long-term relationships with, and strive to become the exclusive or primary outsourcing industrial gas supplier for, all of our existing pipeline industrial gas customers and other members of the HBIS Group. Iron and steel companies remain our primary target customers. We intend to continue to enhance our capabilities and proactively seek opportunities within and outside the Jing-Jin-Ji Region. To extend our national reach, we will divide the PRC domestic market into four or five geographic regions, then identify the largest state-owned industrial gas suppliers in each of those regions and establish cooperations with them through various channels. We also plan to work with HBIS Company, which has international expansion needs under the Belt and Road Initiative (“一帶一路”) to develop our global presence. As at the Latest Practicable Date, we had not yet formulated a concrete plan for our expansion internationally. We will, as long as there is suitable opportunity, set up a dedicated team to serve iron and steel companies which intend to build production facilities overseas and require industrial gas supply.

Continue to attract, retain and promote talent

We believe that talent is one of the key factors which has led to our success. We have experienced management team members and employees to assist us in our business expansion. We plan to continue to attract and retain highly skilled personnel and further strengthen our corporate culture by continuing to invest in supporting employees in their career development. We also plan to provide our employees with trainings and professional development programmes and further align employees' interests with our own interest.

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OUR BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we mainly engaged in (i) the supply of pipeline industrial gas; (ii) the supply of liquefied industrial gas; and (iii) a LNG-related business which includes the supply of LNG and provision of gas transmission service. Our industrial gas products include (i) oxygen, nitrogen and argon; and (ii) hydrogen and carbon dioxide in smaller amounts.

The following table sets out our revenue by product/service for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Supply of pipeline industrial gas	682,021	66.4%	719,401	62.8%	931,636	71.4%	495,548	72.2%	452,122	75.6%
Supply of liquefied industrial gas	237,649	23.1%	289,714	25.3%	255,196	19.6%	136,415	19.9%	101,687	17.0%
Supply of LNG and gas transmission service	98,557	9.6%	122,952	10.7%	103,599	7.9%	47,205	6.9%	35,395	5.9%
Others ⁽¹⁾	8,970	0.9%	13,511	1.2%	14,721	1.1%	7,541	1.0%	8,528	1.5%
Total	1,027,197	100.0%	1,145,578	100.0%	1,305,152	100.0%	686,709	100.0%	597,732	100.0%

Note:

(1) Others mainly included sales of CNG and LNG for vehicles and other special gases.

Supply of Pipeline Industrial Gas

Our pipeline industrial gas is produced and transmitted to our customers via pipelines. Our pipeline industrial gas products include oxygen, nitrogen and hydrogen. For the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from supply of pipeline industrial gas was approximately RMB682.0 million, RMB719.4 million, RMB931.6 million and RMB452.1 million, representing approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue for the same periods, respectively.

All of our pipeline industrial gas customers are members of the HBIS Group, which are iron and steel group companies using our industrial gas products as important raw materials during their iron and steel production processes. During the Track Record Period, we supplied pipeline industrial gas to members of the HBIS Group, namely HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and Tangshan Car Plate. We generally entered into long-term industrial gas supply contracts with these customers, the duration of which ranged between 15 and 30 years. We would also be the exclusive pipeline industrial gas supplier to HBIS Laosteel which became a subsidiary of HBIS in April 2020 and HBIS Laosteel is the utility supplier to our Zhongqi Investment plant.

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Our production facilities are all located on or in close proximity to the production facilities of our pipeline industrial gas customers and we consider the pipeline industrial gas customers to be on-site customers. During the Track Record Period, we had four pipeline industrial gas production plants in operation, namely the TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant and the TTG Laoting Branch plant. We are responsible for maintaining all distribution pipelines, so that we can better ensure reliability and stability of our industrial gas supplies. For detailed information with respect to the key terms of the industrial gas supply contracts, please refer to the paragraphs headed “— Our business — Raw materials, utilities and suppliers” in this section of this prospectus.

Supply of Liquefied Industrial Gas

To maximise the utilisation of our designed production capacity and increase our revenue, we also engage in the supply of liquefied industrial gas. Our liquefied industrial gas products include oxygen, nitrogen, argon and carbon dioxide. Liquefied oxygen and nitrogen are obtained after oxygen and nitrogen in gas form are generated at the ASUs and further processed through the liquefier. While argon is generated together with oxygen and nitrogen in gas form during the same production process, it is in liquid form as the end product. We produce and sell liquefied oxygen and nitrogen only after all demand for pipeline oxygen and nitrogen is satisfied, thereby increasing utilisation of our ASUs. Carbon dioxide is produced in a separate production line independent from the production of oxygen, nitrogen and argon. For further details, please refer to the paragraphs headed “— Our business — Our production process” in this section of this prospectus. Our liquefied industrial gas products are stored in large tanks and delivered to our customers through road tanker delivery.

We sell our liquefied industrial gas through our marketing team to customers in a wide range of industries, including medical, shipping, engineering, photovoltaic, food and automotive. These customers are mostly offsite Independent Third Parties. We usually enter into supply contracts with customers which have a stable and regular demand for liquefied gas products, pursuant to which we supply liquefied industrial gas products on a regular basis. For detailed information with respect to the key terms of the liquefied industrial gas supply contracts, please refer to the paragraphs headed “— Our business — Customers — Liquefied industrial gas customers” in this section of this prospectus. To a smaller extent, our liquefied industrial gas products are on occasions supplied to our pipeline industrial gas customers which are members of the HBIS Group. In these cases, we would gasify the liquefied oxygen, nitrogen and argon stored in our large tanks and deliver those in gas form via pipeline. We mainly supply liquefied oxygen and nitrogen to pipeline industrial gas customers as a back-up plan when our supply of pipeline oxygen and nitrogen to them cannot fully satisfy their demand, or where occasionally requested by such customers, on an ad hoc and as needed basis. Argon, when supplied to the members of the HBIS Group, is primarily provided to them on demand according to their production needs. Carbon dioxide is primarily supplied to food industry as food additives and to logistic industry as dry ice, one of the common shipping coolants. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from supply of liquefied industrial gas was approximately RMB237.6 million, RMB289.7 million, RMB255.2 million and RMB101.7 million, respectively, representing approximately 23.1%, 25.3%, 19.6% and 17.0% of our total revenue for the same periods, respectively.

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We differentiate our pipeline industrial gas supply and operation from our liquefied industrial gas supply and operation mainly by their respective delivery methods and the type of customers to whom we sell our products. In relation to the supply of pipeline industrial gas, we supply industrial gas produced at our on-site production facilities through pipelines to members of the HBIS Group with whom we have generally entered into long-term industrial gas supply contracts. We supply liquefied industrial gas mainly to Independent Third Party customers engaging in various industries through road tanker delivery.

LNG-Related Business

Our LNG-related business includes the supply of LNG and the provision of gas transmission service. The supply of LNG refers to the production and sales of LNG products. The provision of gas transmission service refers to COG pressurisation and transmission service and such service is provided via pipelines which are independent from the pipelines used for our supply of pipeline industrial gas. During the Track Record Period, our LNG products were provided to Independent Third Party customers primarily in the Jing-Jin-Ji Region and, to a smaller extent, to members of the HBIS Group. HBIS Tangshan Branch was the sole customer of our provision of gas transmission service. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from the LNG-related business was approximately RMB98.6 million, RMB123.0 million, RMB103.6 million and RMB35.4 million, representing approximately 9.6%, 10.7%, 7.9% and 5.9% of our total revenue for the same periods, respectively. We recorded a gross loss margin for our supply of LNG and provision of gas transmission service for the years ended 31 December 2017 and 2018 of approximately 30.3% and 0.8% respectively. For the year ended 31 December 2019 and the six months ended 30 June 2020, we recorded a gross profit of approximately RMB5.2 million and RMB0.1 million from LNG-related business, respectively.

We started our LNG-related business in 2014 with the intention to diversify our gas products and in contemplation of a growing demand for LNG in the Jing-Jin-Ji Region. At that time, the PRC Government was supportive of the use of COG which is the raw material to produce LNG. For more information relating to the historical increase in the LNG market value in the PRC and the Jing-Jin-Ji Region, please refer to the section headed “Industry Overview — Analysis of China’s and the Jing-Jin-Ji Region’s LNG industry” in this prospectus. Luanxian Tangsteel Gases, the operating subsidiary for our LNG-related business, was established in December 2013. In early 2014, our LNG production commenced at the Luanxian plant. We also started providing gas transmission service which was supported by the equipment and machinery used for our LNG-supply business, such as compressors.

Our entire LNG-related business relies on the supply of COG transmitted from Tangshan Meijin to us. A significant portion of revenue generated from our LNG-related business was derived from the supply of LNG during the first few years of our operations at the Luanxian plant. At that time, we considered our provision of gas transmission service as only an ancillary service.

LNG production requires COG as raw material and COG is also a key raw material needed in the process of steelmaking. Therefore, we have always faced competition for COG supply from HBIS Tangshan Branch. Since 2017, HBIS Tangshan Branch started to procure more COG from Tangshan Meijin, and Tangshan Meijin gradually prioritised their supply of COG to HBIS Tangshan Branch, thereby reducing their supply to us for our supply of LNG. In order to access COG supply from

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Tangshan Meijin, HBIS Tangshan Branch needed our provision of gas transmission service via pipelines (because (i) the COG needs to be compressed by our gas compressors, before being transmitted via pipelines that run through our Luanxian plant and (ii) Tangshan Meijin itself does not provide such service). The overall impact was that there was a significant reduction of our supply of LNG and an increase in our provision of gas transmission service to HBIS Tangshan Branch. Our revenue from the provision of gas transmission service increased significantly accordingly and has become the major revenue contributor of our LNG-related business.

Since 2017, we regularly negotiated with Tangshan Meijin with a view to increasing their COG allocation to us so that we may produce and supply LNG to our customers. However, Tangshan Meijin has continued to prioritise demand from HBIS Tangshan Branch. We also made an effort to identify alternative sources of COG to support our LNG production in a cost-effective manner, which has been unsuccessful up to the Latest Practicable Date.

During the Track Record Period, the LNG-related business only contributed in a minor way to the Group's overall financial performance. Our Group currently has no intention to discontinue the supply of LNG which is part of our LNG-related business. According to the Frost & Sullivan Report, the growth of LNG sales value in the PRC is expected to continue to increase and will reach approximately RMB394.0 billion in 2024, representing a CAGR of approximately 18.8% from 2019 and the growth of LNG sales value in the Jing-Jin-Ji Region is expected to continue to increase and will reach approximately RMB25.2 billion in 2024, representing a CAGR of approximately 12.8% from 2019 to 2024. We intend to continue to engage in the supply of LNG business as long as we have a readily available source of COG. In the meantime, considering a long-term business relationship with HBIS Tangshan Branch and Tangshan Meijin, we intend to continue to provide gas transmission service to HBIS Tangshan Branch to such extent that its demand for COG is satisfied. We have a price adjustment arrangement in place with HBIS Tangshan Branch, which ensures our ability to recover all of the cost incurred on our LNG-related business. Under the price adjustment arrangement, HBIS Tangshan Branch will, at the beginning of each year, discuss with us and determine the pricing of our gas transmission service for the current year. At the end of each year, such pricing of gas transmission service will be adjusted upwards to recover all the cost incurred on our LNG-related business, if any, upon HBIS Tangshan Branch's review of our profit or loss position of our LNG-related business as a whole. Our arrangement with HBIS Tangshan Branch brings about two benefits to the Group:

- (i) some of the equipment and machinery intended for our LNG-supply business will continue to be utilised; and
- (ii) with our provision of gas transmission service to HBIS Tangshan Branch, its steel production can be maintained at a certain level, which in turn ensures the demand for our supply of industrial gas. The interests of HBIS Tangshan Branch and ours are in fact aligned. Taking into account the fact that gas transmission relies on the coverage of pipeline and that Tangshan Meijin is an indispensable COG supplier, we are positioned to negotiate a service rate commercially reasonable to us and in the best interest of our Shareholders as a whole going forward.

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Relationship with members of the HBIS Group

Since our establishment, we have been the exclusive industrial gas supplier for certain members of the HBIS Group, a leading iron and steel producer in the PRC, in Hebei Province. Industrial gas is an important raw material to the production of iron and steel for the HBIS Group. To the best knowledge of our Directors, the HBIS Group does not have any other external industrial gas supplier in Hebei province apart from us. However, the HBIS Group has its own internal industrial gas production facilities for meeting the demand of some of its own iron and steel production in Hebei Province. The main purpose of our establishment was for the HBIS Group to outsource its pipeline industrial gas supply operations to us as well as for the development of industrial gas business in Northern China. Our establishment was at that time in line with the industry trend. According to the Frost & Sullivan Report, given that industrial gas are commodities, in order to be more efficient and with a view to lowering costs, an increasing number of downstream companies have started to outsource their industrial gas production function to suppliers, such as Air Liquide S.A. (“**Air Liquide**”), Yingde Gases Group Co. Ltd. (“**Yingde Gases**”) and Hangzhou Oxygen Plant Group Co., Ltd. (“**Hangzhou Oxygen**”), further details of which are set out in the paragraphs headed “— Mutual and complementary arrangements” below. Additional examples of outsourcing industrial gas production by downstream companies especially those in the iron and steel industry, please refer to the paragraphs headed “— Mutual and complementary arrangements” below.

HBIS Company, which is a member of the HBIS Group, was one of our founding shareholders. TTG started off in February 2007 as a joint venture between HBIS Company and CGII. As at the Latest Practicable Date, HBIS Company was majorly owned directly and indirectly by certain subsidiaries of HBIS which is a wholly-owned subsidiary of Hebei Province SASAC. The HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in the PRC and in Hebei Province in 2019, according to the Frost & Sullivan Report. For more information regarding our history, please refer to the section headed “History, Reorganisation and Corporation Structure” in this prospectus.

The table below sets out our revenue, gross profit and gross profit margin by customer for the periods indicated.

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Gross profit margin ⁽¹⁾			Gross profit margin ⁽¹⁾			Gross profit margin ⁽¹⁾			Gross profit margin ⁽¹⁾			Gross profit margin ⁽¹⁾		
	Revenue	Gross profit		Revenue	Gross profit		Revenue	Gross profit		Revenue	Gross profit		Revenue	Gross profit	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(unaudited)														
HBIS Group	818,672	136,255	16.6%	846,817	123,639	14.6%	1,096,745	207,922	19.0%	570,943	119,939	21.0%	529,116	104,549	19.8%
— Subsidiaries	813,906	134,766	16.6%	840,415	121,055	14.4%	1,090,924	205,134	18.8%	568,333	118,571	20.9%	526,323	103,016	19.6%
— Associates	4,766	1,489	31.2%	6,402	2,584	40.4%	5,821	2,788	47.9%	2,610	1,368	52.4%	2,793	1,533	54.9%
Independent Third Parties	208,525	31,645	15.2%	298,761	95,109	31.8%	208,407	74,308	35.7%	115,765	45,491	39.3%	68,616	35,978	52.4%
Total	1,027,197	167,900	16.3%	1,145,578	218,748	19.1%	1,305,152	282,230	21.6%	686,708	165,430	24.1%	597,732	140,527	23.5%

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Note:

- (1) Save for the year ended 31 December 2017, the gross profit margin for the HBIS Group was lower than that for Independent Third Party customers during the Track Record Period as majority of the revenue from the HBIS Group was generated from the supply of pipeline industrial gas, which had a lower gross profit margin compared with the supply of liquefied industrial gas that was mostly sold to Independent Third Party customers during the Track Record Period. For the year ended 31 December 2017, the gross profit margin for HBIS Group was slightly higher than that for Independent Third Party customers, mainly attributable to the gross loss incurred from the sales of LNG products which were mostly to Independent Third Party customers during the year resulting from the lack of supply of COG for the production of LNG products, partly offsetting the higher gross profit margin recorded from the supply of liquefied industrial gas products of the year.

Mutual and complementary arrangements

Industrial gas is one of the key raw components for iron and steel production. In order to secure their supply of industrial gas, almost all of the large iron and steel providers in the PRC have industrial gas supply through pipelines for their iron and steel production. According to Frost & Sullivan Report, there is a trend that iron and steel companies outsource their supply of industrial gas to third-party suppliers to streamline their business. In recent years, an increasing number of key iron and steel companies have followed this trend, including among others the following:

- in 2012, Air Liquide entered into a long-term contract with Xilin Steel Group, the largest iron and steel producer in Heilongjiang Province, for the supply of oxygen, nitrogen and argon;
- in 2017, Yingde Gases entered into a long-term industrial gas supply contract for a period of 20 years with Shandong Iron and Steel Group, a leading iron and steel company in Shandong Province, for the supply of industrial gas;
- in 2018, Yingde Gases entered into a long-term industrial gas supply contract for a period of 15 years with Inner Mongolia BaoTou Steel Union, a leading iron and steel company in Inner Mongolia, for the supply of industrial gas; and
- in 2019, Hangzhou Oxygen entered into a long-term contract with Guangxi Shenglong Metallurgical Company, one of the largest iron and steel company in Guangxi province, for the supply of industrial gas.

The market share of outsourced supply of industrial gas in China increased from 49.3% in 2014 to 54.6% in 2019. Considering the fact that outsourced supply of industrial gas accounts for approximately 80% of the total industrial gas market in developed countries such as the United States, we believe that the market share of outsourced supply of industrial gas in China will likely to continue to increase.

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Outsourcing supply of industrial gas allows the iron and steel companies to improve efficiency, reduce cost and gain access to the relevant expertise of such third-party industrial gas suppliers. Generally, third-party industrial gas suppliers are usually better equipped with well-trained and experienced staff who possess in-depth industry knowledge. In addition, third-party industrial gas suppliers tend to place higher emphasis on production safety and customer services. As a result, an increasing number of iron and steel companies choose to outsource their industrial gas supply.

According to the Frost & Sullivan Report, the relationship between the iron and steel companies and industrial gas suppliers are generally considered to be mutual, complementary and inseparable. As a result, industrial gas suppliers, such as Air Liquide, Yingde Gases and Hangzhou Oxygen, usually sign long-term contracts with iron and steel companies with a term between 15 to 30 years. Such relationship is synergetic and is formed primarily due to the business nature and business model of both parties. A continuous supply of industrial gas is indispensable for iron and steel companies to maintain their continuous production, whilst the iron and steel companies are usually the major customers of industrial gas suppliers, and are crucial to the business operation, financial performance and future development (such as initiation of new projects and production expansion) of industrial gas suppliers. Identification of iron and steel companies and securing them as new customers is an important basis for the establishment and growth of the industrial gas business. In order to support the operation of their industrial gas suppliers with a view to maintaining a stable and continuous supply of industrial gas, it is not uncommon for iron and steel companies to provide utility supplies, such as electricity, water and steam, as well as land and plants to be used by those suppliers.

According to the Frost & Sullivan Report, we were the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019, with the ability to meet large-scale supply needs. Further, there is only a limited number of industrial gas suppliers that can meet the needs of members of the HBIS Group in terms of designed production capacity in Hebei Province or in close proximity to the Tangshan area. Moreover, it is not commercially feasible for members of the HBIS Group to build new pipelines connecting to other industrial gas suppliers or construct/acquire new industrial gas production facilities, especially when taking into account the relevant time and cost that would be involved and the potential interruption to the operation of members of the HBIS Group. Our Directors are therefore of the view that it is highly unlikely that the HBIS Group would terminate any of its industrial gas supply contracts with us.

The HBIS Group is a long-standing partner of ours. Ever since TTG was initially set up as a joint venture by HBIS Company and CGII in 2007, we have been exclusively supplying industrial gas to several members of the HBIS Group. There has been a long and well established business relationship between the HBIS Group and us and the HBIS Group has also benefited from our stable and reliable supply of industrial gas products for its iron and steel production. Furthermore, as most of our industrial gas production facilities were contributed by or acquired from members of the HBIS Group, and that most of our managerial and technical staff have experience working within the HBIS Group, we understand the production and product needs of the HBIS Group better than any other potential suppliers.

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HBIS' dominant market position in a sustainable industry

According to the Frost & Sullivan Report, the HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in 2019. According to the Frost & Sullivan Report, the production of crude steel in China has increased from approximately 822.3 million tonnes in 2014 to approximately 996.3 million tonnes in 2019 driven by the development of downstream factors such as construction and machinery industry, representing a CAGR of approximately 3.9%. The production of crude steel is forecasted to continue to grow in future years due to the growing demand from major downstream industries such as real estate industry, whose total investment is forecasted to grow at a CAGR of approximately 1.5% from 2019 to 2024. In 2019, Hebei Province had a total crude steel production volume of 241.6 million tonnes and ranked first among all other provinces. As China's major iron and steel production base, Tangshan has produced approximately 136.9 million tonnes crude steel in 2019 and ranked first in Hebei Province and in the PRC in terms of crude steel production volume.

Given the HBIS Group's dominant position in the iron and steel industry and in particular in Hebei Province where the iron and steel industry is and is expected to continue to be dominated by only a few players, as well as its needs for industrial gas for iron and steel production, our Directors believe that it is likely the HBIS Group will continue to be our largest customer.

Normal commercial terms

We confirm that the supply of industrial gas to members of the HBIS Group is on normal commercial terms at arm's length and on terms which are fair and reasonable and in the interest of our Group and our Shareholders as a whole. Frost & Sullivan has also confirmed that the unit price of each type of the industrial gas products supplied to the members of the HBIS Group is within market rates.

Continuous sales to independent customers recorded during the Track Record Period

We also supply liquefied industrial gas to independent customers, who are traders or industrial and commercial end-users in or around the Tangshan area. For each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we had over 170, 180, 180 and 140 liquefied industrial gas customers who were Independent Third Parties, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from supply of liquefied industrial gas to independent customers was approximately RMB140.3 million, RMB225.8 million, RMB182.3 million and RMB64.2 million, representing approximately 13.7%, 19.7%, 14.0% and 10.7%, respectively, of our total revenue in the same periods. The revenue generated from supply of liquefied industrial gas to independent customers decreased during the six months ended 30 June 2020, resulting from the decrease in orders from our liquefied industrial gas customers due to an extended Lunar New Year public holiday and the impact of COVID-19 mainly in March and April 2020.

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The table below sets out sales volume of liquefied industrial gas to independent customers for the periods indicated.

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
	Volume	Volume	Volume	Volume
	Tonne	Tonne	Tonne	Tonne
Oxygen	57,907	120,722	129,512	40,085
Nitrogen	43,750	50,634	33,201	8,731
Argon	31,984	36,984	42,749	18,365
Carbon dioxide	15,128	25,685	39,816	18,475

Future trend

We believe that our business of producing and supplying industrial gas is sustainable. According to the Frost & Sullivan Report, the PRC pipeline industrial gas market is expected to grow at a CAGR of approximately 9.3% from 2019 to 2024. Such growth is expected to come from the demand of various industries and not just from the traditional iron and steel production industry. In addition to the industries in which our current independent customers of are engaged in, industrial gas can also be applied in other industries, including the metallurgical, construction, electronics, machinery and health care industries. With this expected increase in demand for industrial gas, we intend to further expand our sales and marketing team and diversify and grow our independent customer base. A sales and marketing and customer service team of 30 members has been set up by us to serve our existing independent customers as well as to explore business opportunities with other potential independent customers.

Going forward, we will continue to diversify our customer base. As Laoting is a major industrial zone for iron and steel production in Tangshan, the development of the Zhongqi Investment plant enables us to gain access to a large number of iron and steel production plants located in Laoting operated by companies other than the HBIS Group. We intend to capture the opportunities represented by the potential demand of these Independent Third Party iron and steel production plants for industrial gas.

Within and outside the Jing-Jin-Ji Region, we will try to replicate our success to serve other sizable state-owned enterprises and become their on-site pipeline industrial gas supplier. We intend to continue to enhance our capabilities and strategically expand our geographical coverage.

As part of our business strategies, we intend to produce special gases and mixed noble gas at the Zhongqi Investment plant when it is appropriate to develop such new products after it is fully in operation. Special gases and mixed noble gas which are delivered to customers in either cylinders or dewars, are expected to target potential customers operating in industries other than the iron and steel industry. For more information regarding our business strategies, please refer to the paragraphs headed “— Our Strategies” in this section of this prospectus.

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We currently expect that, subject to various factors (including but not limited to whether we may acquire new customers from within the HBIS Group, relevant government policies, the general economy, market conditions and other unforeseen circumstances), after Listing, revenue to be generated from the sales of industrial gas to the members of the HBIS Group (in terms of percentage) will likely be similar to the present level.

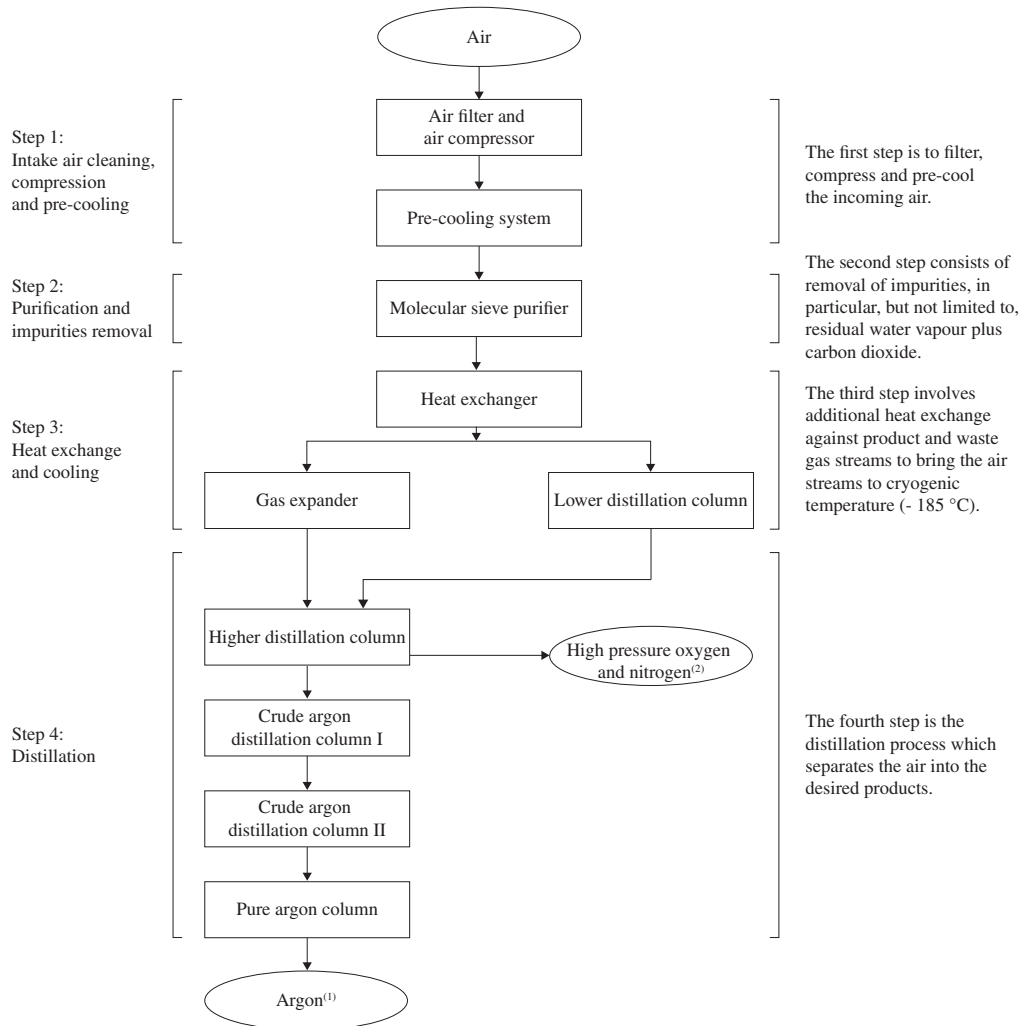
Our Production Process

Production Process of Oxygen, Nitrogen and Argon

Oxygen, nitrogen and argon are extracted from ambient air which contains by volume approximately 78.1% of nitrogen, 21.0% of oxygen, and 0.9% of argon along with varying amount of water vapour and a number of other gases such as carbon dioxide and noble gases. Oxygen, nitrogen and argon therefore are generated by volume with the same proportion during the production process. We adopt a cryogenic process in our industrial gas production process to extract oxygen, nitrogen and argon from ambient air. While argon is in liquid form after the cryogenic process, both oxygen and nitrogen are 98% in gas form and therefore liquefaction is required to obtain liquefied oxygen and nitrogen. The cryogenic process uses very low temperature distillation to separate air ingredients and achieves desired product purity under the principle that different gases have different boiling points. We believe this is an appropriately cost-effective means to produce gas products with the highest purity at a high production rate. The core equipment used in our industrial gas production process is the ASU. The main parts and components of a typical ASU include air filter, air compressor, refrigerator unit, molecular sieve purifier, heat exchanger, turbo expander, rectification column, oxygen storage balloon and oxygen compressor. It takes approximately 36 hours to obtain oxygen and nitrogen upon switching on the ASUs and a further eight hours to obtain argon. Once the ASUs are switched on and running constantly, there is continuous output of oxygen, nitrogen and argon.

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The following flow chart sets out the major steps in the cryogenic process generating oxygen, nitrogen, argon.



Notes:

- (1) Argon is in liquid form upon completion of this process.
- (2) Approximately 2% of the oxygen and nitrogen generated upon completion of this process is in liquid form.

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The production of pipeline oxygen and nitrogen and liquefied oxygen and nitrogen is based on substantially the same production process except that the production of liquefied oxygen and nitrogen involves additional liquefaction process at a supplemental refrigeration unit and packaging before delivery to our customers via road tankers instead of via pipelines. It is more cost efficient to use the same ASUs to produce industrial gas in gaseous state and then liquefy part of the industrial gas into liquid form instead of setting up a dedicated ASUs for production of liquefied industrial gas separately. A supplemental liquefier which is a refrigeration unit is added to the main air separation plant with nitrogen generated from the cryogenic process as the primary working fluid. A liquefier produces refrigeration to liquefy oxygen and nitrogen. A liquefier is not required to produce liquefied argon as it is already in liquid form as the end product of the ASU during the cryogenic process.

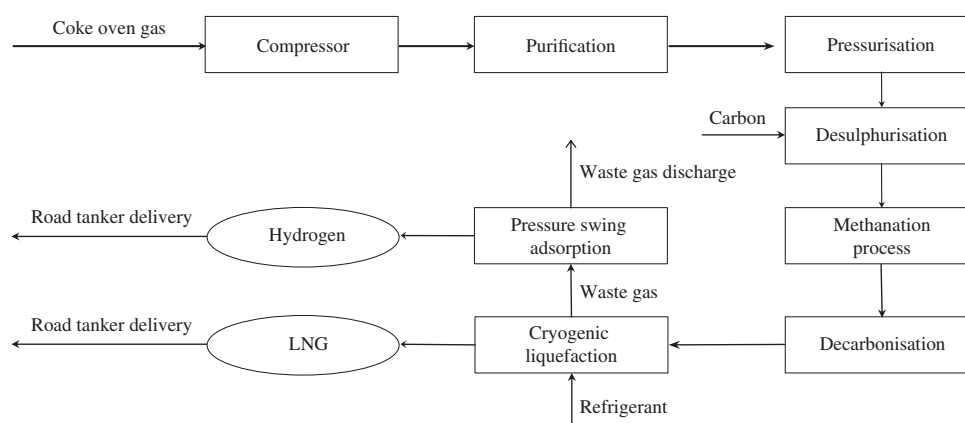
Production process of Hydrogen and Carbon Dioxide

The hydrogen is extracted from COG through our hydrogen production units at our TTG headquarters plant. COG used for hydrogen production is procured and transmitted from HBIS Tangshan Branch and is a by-product during steel making process. Hydrogen is also produced as a by-product in our LNG production process. Our carbon dioxide products are extracted from the waste gases of a fertiliser plant. The carbon dioxide extracted will then be filtered and further processed into liquefied carbon dioxide and dry ice as end products.

Production Process of LNG

For the products of our LNG production, we have adopted a technique involving a methanation process for natural gas synthesis from COG. The COG to LNG technology refers to processing LNG with over 99% volume fraction of methane with high-pressure purification, methanation and cryogenic liquefaction of COG. The energy transformation ratio of COG to LNG is over 80% and can cogenerate hydrogen. This technology can convert oxycarbides and hydrogen in COG to clean and market-demanded products with high economic efficiency.

The following flow chart sets out the major steps in the production of LNG from COG:



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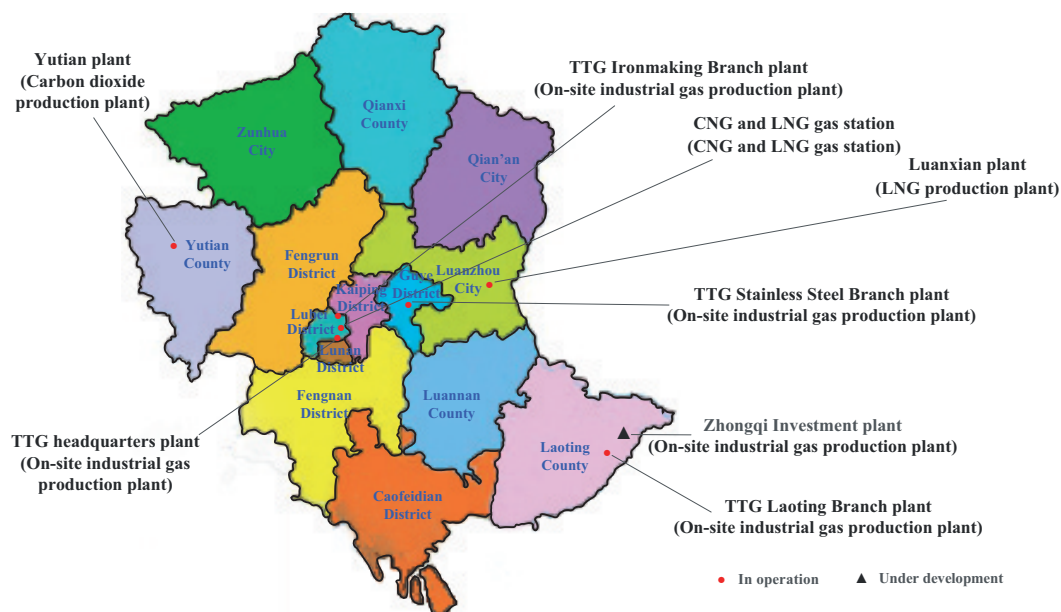
Our Production Facilities

Our business can be traced back to February 2007 when our main operations subsidiary, TTG, was established in Tangshan, Hebei Province as the HBIS Group began to outsource its on-site pipeline industrial gas supply to us.

At the initial stage of our establishment, HBIS Company contributed industrial gas production facilities such as ASUs and pipelines as part of its capital injection. Since then, we have expanded and increased our production capability by constructing our own industrial gas production facilities in wider Tangshan area and acquiring further industrial gas production facilities from other members of the HBIS Group. We then began to produce and supply industrial gas through pipelines to the members of the HBIS Group who are our current pipeline industrial gas customers.

During the Track Record Period, we had six production plants in operation, including (i) four industrial gas production plants; (ii) one carbon dioxide production plant; and (iii) one LNG production plant. In addition, we had one industrial gas production plant under development and one CNG and LNG gas station during the Track Record Period. Our production plants are located in various locations in Tangshan, Hebei Province.

The following map illustrates the locations in Tangshan, Hebei Province where we have production facilities.



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Production Plants in Operation

The following table sets out certain information regarding our four industrial gas production plants in operation during the Track Record Period.

<u>Production plant</u>	<u>Location</u>	<u>Operating subsidiary</u>	<u>Customer⁽¹⁾⁽²⁾</u>	<u>Products</u>	<u>Major equipment</u>	<u>Year of operation commencement</u>
TTG headquarters plant	No.9, Binhe Road, Lubei District, Tangshan, Hebei Province	TTG headquarters	HBIS Tangshan Branch / Tangshan Car Plate	pipeline oxygen, nitrogen and hydrogen, liquefied oxygen, nitrogen and argon, medical oxygen	three ASUs ⁽³⁾ , liquefier ⁽⁴⁾ , hydrogen generation units	2007
TTG Ironmaking Branch plant	HBIS Tangshan Branch North District Court, Tangshan, Hebei Province	TTG Ironmaking Branch	HBIS Tangshan Branch	pipeline oxygen, nitrogen and hydrogen, liquefied oxygen, nitrogen and argon	two ASUs ⁽⁵⁾ , liquefier ⁽⁶⁾	2007
TTG Stainless Steel Branch plant	Tangjiazhuang Guangxin Company's Courtyard, Guye District, Tangshan, Hebei Province	TTG Stainless Steel Branch	Tangshan Stainless Steel	pipeline oxygen and nitrogen, liquefied oxygen, nitrogen and argon	two ASUs, liquefier ⁽⁷⁾	2007
TTG Laoting Branch plant	Tangshan Plate Courtyard, Laoting County, Tangshan, Hebei Province	TTG Laoting Branch	Tangshan Plate	pipeline oxygen and nitrogen, liquefied oxygen, nitrogen and argon	three ASUs	2017

Notes:

- (1) As at the Latest Practicable Date, all of the pipeline industrial gas customers are connected persons of our Company. Please refer to the paragraphs headed “— Our business — Customers — Pipeline industrial gas customers” in this section of this prospectus and the section headed “Continuing Connected Transactions” in this prospectus for more details.
- (2) For HBIS Tangshan Branch and Tangshan Plate, our production plants are located within their production sites. For Tangshan Car Plate and Tangshan Stainless Steel, our production plants are located in close proximity to their production sites.

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- (3) The ASU KDONAr-40000/40000/1360 ceased to operate since the end of August 2020. Such ASU and one of the air compressors supporting its production were being relocated to the Zhongqi Investment plant as at the Latest Practicable Date. Please refer to the paragraphs headed “— Our business — Our production facilities — Production plant under development” for this section of this prospectus.
- (4) The liquefier has a designed production capacity of 300 tonne per day.
- (5) The two ASUs used at the TTG Ironmaking Branch plant ceased to operate since the end of August 2020. One of the air compressors used at the TTG Ironmaking Branch plant was being relocated to the Zhongqi Investment plant as at the Latest Practicable Date.
- (6) The liquefier has a designed production capacity of 100 tonne per day.
- (7) The liquefier has a designed production capacity of 300 tonne per day.

The following table sets out certain information regarding our carbon dioxide production plant in operation as at the Latest Practicable Date.

Production plant	Location	Operating subsidiary	Customer	Product	Major equipment	Year of operation commencement
Yutian plant	Houhu Industrial Park, Yutian County, Tangshan, Hebei Province	TTG Yutian Branch	Independent Third Parties which mainly operate in food and logistics industries	Carbon dioxide	One carbon dioxide purification and liquefaction unit	2014

The following table sets out certain information regarding our LNG production plant in operation as at the Latest Practicable Date.

Production plant	Location	Operating subsidiary	Customer	Product/service	Major equipment	Year of operation commencement
Luanxian plant	Luanxian Industrial Cluster, Tangshan, Hebei Province	Luanxian Tangsteel Gases	Independent Third Parties operating in gas and clean energy industries	LNG, hydrogen and the provision of gas transmission service	Compressor units	2014

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The following table sets out certain information regarding our CNG and LNG gas station in operation as at the Latest Practicable Date.

Production plant	Location	Operating subsidiary	Customer	Product/service	Major equipment	Year of operation commencement
CNG and LNG gas station	North of North Road, Dongxincun Park, Lubei District, Tangshan, Hebei Province	Tangsteel Dongxin Village	Retail customers	CNG and LNG as fuel for gas vehicles ⁽¹⁾	LNG storage tanks and CNG dispensers	2016

Note:

- (1) We procure LNG primarily from a number of Independent Third Parties and LNG is regasified to CNG as fuel for gas vehicles.

The following table sets out our revenue breakdown by production plant in operation and our CNG and LNG gas station for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
TTG headquarters plant	403,740	39.3%	493,796	43.1%	501,429	38.4%	272,384	39.7%	210,301	35.2%
TTG Ironmaking Branch plant	138,349	13.5%	141,156	12.3%	181,474	13.9%	101,252	14.7%	86,004	14.4%
TTG Stainless Steel Branch plant	210,405	20.5%	201,443	17.6%	207,465	15.9%	103,795	15.1%	97,052	16.2%
TTG Laoting Branch plant	165,356	16.1%	167,493	14.6%	285,553	21.9%	150,787	22.0%	153,420	25.7%
Yutian plant	3,456	0.3%	6,549	0.6%	11,915	0.9%	4,374	0.6%	7,881	1.3%
Luanxian plant	102,086	9.9%	128,703	11.2%	109,154	8.4%	49,750	7.3%	39,715	6.6%
CNG and LNG gas station	3,805	0.4%	6,438	0.6%	8,162	0.6%	4,367	0.6%	3,359	0.6%
Total	1,027,197	100.0%	1,145,578	100.0%	1,305,152	100.0%	686,709	100.0%	597,732	100.0%

The table below sets out certain information with respect to our designed production capacity, actual production volume and utilisation rate of ASUs by production plant for the periods indicated.

Production plant	Equipment	Equipment model	For the year ended 31 December						For the six months ended 30 June 2020				
			Designed Production Capacity ⁽¹⁾			2017		2018		2019			
			Oxygen	Nitrogen	Argon	Actual production volume Nm ³	Utilisation rate ⁽³⁾	Actual production volume Nm ³	Utilisation rate ⁽³⁾	Actual production volume Nm ³	Utilisation rate ⁽³⁾		
			(Nm ³ /hr)	(Nm ³ /hr)	(Nm ³ /hr)	(’000) ⁽²⁾	%	(’000) ⁽²⁾	%	(’000) ⁽²⁾	%		
TTTG headquarters plant	Three ASUs	KDONAr-40000/40000/1360	40,000	40,000	1,360	361,375	103.1% ⁽⁵⁾	342,806	97.8%	361,599	103.2% ⁽⁵⁾	185,113	105.4% ⁽⁵⁾
		KDONAr-17000/10000/615	17,000	10,000	615	152	0.1%	39,370	26.4%	67,350	45.2%	18,136	24.3% ⁽⁸⁾
		KDONAr-20000/20000/750	20,000	20,000	750	136,987	78.2%	137,612	78.5%	172,920	98.7%	84,256	95.9%
		KDONAr-25000/25000/900	25,000	25,000	900	216,126	98.7%	206,124	94.1%	224,859	102.7% ⁽⁵⁾	118,101	107.6%
TTTG Ironmaking Branch plant	Two ASUs	KDONAr-8000/20000/300	8,000	2,000	300	— ⁽⁴⁾	— ⁽⁴⁾	11,553	16.5%	62,969	89.9%	14,941	42.5% ⁽⁸⁾
		KDONAr-15500/17000/560	15,500	17,000	560	— ⁽⁴⁾	— ⁽⁴⁾	86,412	63.6%	125,710	92.6%	40,921	60.1% ⁽⁸⁾
TTTG Stainless Steel Branch plant	Three ASUs	KDONAr-25000/25000/900	25,000	25,000	900	232,494	106.2% ⁽⁵⁾	221,393	101.1% ⁽⁵⁾	222,257	101.5% ⁽⁵⁾	111,918	101.9%
		KDONAr-20000/20000/750 ⁽⁶⁾	20,000	20,000	750	N/A	N/A	37,707	85.4%	134,537	76.8%	82,960	94.4%
TTTG Laoting Branch plant	Three ASUs	KDONAr-20000/20000/750 ⁽⁶⁾	20,000	20,000	750	N/A	N/A	24,096	54.6%	103,912	59.3%	34,833	39.7%
		KDONAr-28000/50000/900 ⁽⁷⁾	28,000	50,000	900	245,695	100.2% ⁽⁵⁾	213,265	86.9%	227,637	92.8%	117,264	95.4%
		Total	218,500	247,000	7,785	1,192,829	76.3%	1,320,338	79.9%	1,703,751	89.0%	808,443	84.2%

Notes:

- (1) Such designed production capacity can be identified by name of the ASU model. For example:

KDONAr-40000 / 40000 / 1360

Designed production capacity of oxygen	Designed production capacity of nitrogen	Designed production capacity of argon
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- (2) Actual production volume refers to the volume indicated by our meters (365 days for a year and 183 days for six months, or 92 days for the two ASUs operating at TTG Laotung Branch Plant in 2018 as we commenced their operations since October 2018).

- (3) Utilisation rate equals to annual actual production volume divided by annual designed production capacity of oxygen multiplied by 100%. For calculation of utilisation rate purpose only, annual designed production capacity refers to that of oxygen only. The designed production capacity of an ASU is usually indicated by such of oxygen. The utilisation rate during the Track Record Period fluctuated primarily due to (i) movements of demand from customers; (ii) our production scheduling and arrangement with job allocation among the ASUs to optimise production efficiency. As the ASUs at each of the production plants complement each other, we are able to adjust the utilisation of our ASUs and our actual production scale according to the demand from our customers. As a result, certain of our ASUs recorded only low to moderate utilisation rates during the Track Record Period.
- (4) These ASUs were not in use for the years indicated.
- (5) The utilisation rates slightly exceeded 100% due to our adjusted production plan based on the actual demand from our customers as well as due to production efficiency reasons.
- (6) The ASU commenced operation in October 2018.
- (7) The ASU was operated by TTG headquarters from 2016 and up to the establishment of TTG Laoting Branch.
- (8) The ASU recorded a lower utilisation for the six months ended 30 June 2020 primarily due to the impact of COVID-19 mainly during March and April 2020.

The table below sets out designed production capacity, actual production volume and utilisation rate of our hydrogen generation units for the periods indicated.

Production plant	Equipment model	Designed Production Capacity	For the year ended 31 December				For the six months ended 30 June 2020			
			2017		2018		2019		2020	
			Actual production volume	Utilisation rate ⁽¹⁾	Actual production volume	Utilisation rate ⁽¹⁾	Actual production volume	Utilisation rate ⁽¹⁾	Actual production volume	Utilisation rate ⁽¹⁾
			Nm ³ ('000)	%	Nm ³ ('000)	%	Nm ³ ('000)	%	Nm ³ ('000)	%
TTG headquarters plant	Two hydrogen generation units	PSA-800	7,221	103.0%	5,651	80.6%	6,262	89.4%	2,920	83.6%
		PSA-600 ⁽²⁾	—	—	—	—	—	—	—	—

Notes:

- (1) Utilisation rate equals to annual production volume divided by annual designed production capacity multiplied by 100%.
- (2) This hydrogen generation unit was not in use and served as a back-up to the other hydrogen generation unit in the event of emergency during the Track Record Period.

The table below sets out designed production capacity, actual production volume and utilisation rate of our carbon dioxide operation for the periods indicated.

Production plant	Equipment	Designed Production Capacity	For the year ended 31 December				For the six months ended 30 June 2020	
			2017	2018		2019	2020	
			Actual production volume	Utilisation rate ⁽¹⁾	Actual production volume	Utilisation rate ⁽¹⁾	Actual production volume	Utilisation rate ⁽¹⁾
			tonne	%	tonne	%	tonne	%
Yutian plant	One carbon dioxide purification and liquefaction unit	60,000 tonne/year	25,646	42.7%	33,515	55.9%	40,915	68.2%
							18,564	61.9%

Note:

(1) Utilisation rate equals to annual production volume divided by annual designed production capacity multiplied by 100%.

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Production Plant under Development

As at the Latest Practicable Date, we had one industrial gas production plant under development, namely the Zhongqi Investment plant, located in Laoting, Hebei Province. The Zhongqi Investment plant was established in anticipation of demand for our supply of pipeline industrial gas from HBIS Laosteel, an iron and steel company set up by HBIS Xuansteel which is not our existing customer and a wholly-owned subsidiary of HBIS. HBIS Laosteel was acquired by HBIS Company in April 2020. The establishment of HBIS Laosteel was part of a project of the HBIS (the “**HBIS LT Project**”) to replace and consolidate its iron and steel production capacity among its subsidiaries, in light of the local government policies to reduce pollutions, and with the ultimate aim of streamlining HBIS’s regional layout thereby reducing the logistical costs in the future. For more information relating to the relevant government policies, please refer to the section headed “Industry Overview — Opportunities, threats and challenges of China’s industrial gas industry — Opportunities” in this prospectus. A new iron and steel production plant located in Laoting currently known as the HBIS Tangsteel New District has been constructed.

In connection with the Zhongqi Investment plant, we entered into a cooperation agreement on 10 May 2018 with HBIS Laosteel, pursuant to which we shall become the exclusive industrial gas supplier for HBIS Laosteel for 15 years from the date of commencement of operations of the Zhongqi Investment plant, or a date to be agreed by both parties. On 21 November 2018, we filed a registration statement with Tangshan Administrative Examination and Approval Bureau (唐山市行政審批局) regarding our construction plan at the Zhongqi Investment plant.

Development plan of the Zhongqi Investment plant

The development of the Zhongqi Investment plant is intended to be implemented in two phases:

- Phase I, which is underway and is expected to complete by first quarter of 2021, primarily involves (i) the acquisition of the relevant land; (ii) the construction of production facilities and offices; and (iii) the procurement and/or relocation of three ASUs and ancillary equipment and machineries, which will add a designed production capacity of 140,000 Nm³/hr of oxygen to our total designed production capacity; and
- Phase II which is yet to be finalised will likely involve procurement of an additional ASU with a designed production capacity of 60,000 Nm³/hr of oxygen. The implementation of Phase II depends on a number of factors, including, amongst others, the progress of Phase I, availability of funding, further integration of the iron and steel industry, execution and progress of the HBIS’s project, demand of our supply of industrial gas, specific government environmental and industry policies. As at the Latest Practicable Date, there had been however, no concrete plan as to when and how Phase II would be implemented.

On 19 August 2020, HBIS Company entered into the Exit and Relocation Agreement in relation to its exit and relocation plan with the People’s Government of Tangshan. Pursuant to the Exit and Relocation Agreement, HBIS Tangshan Branch would cease the Terminated Production Facilities before the end of August 2020. At the same time, HBIS Laosteel which had been acquired by HBIS Company in April 2020 would gradually commence its productions at the HBIS Tangsteel New District located in Laoting County, Tangshan City in September 2020. On 2 September 2020, HBIS

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Company announced that the operation of the Terminated Production Facilities had completely ceased. On 7 September 2020, HBIS Laosteel ignited its No. 1 furnace which was the preamble for the commencement of the trial production of iron and steel products, which was expected to commence by the end of October 2020.

The HBIS LT Project involves the relocation of the production capacity of HBIS Tangshan Branch and HBIS Xuansteel to the HBIS Tangsteel New District. The respective production capacity transfer arrangements of HBIS Tangshan Branch and HBIS Xuansteel are linked and intertwined. If the iron and steel production capacity of HBIS Xuansteel is transferred first, to the HBIS Tangsteel New District at a particular stage, HBIS Tangshan Branch will then transfer its iron and steel production capacity in later stage, and vice versa.

It is expected that the total designed iron and steel production capacity of HBIS Tangsteel New District will consolidate the capacity of the Terminated Production Facilities and the iron and steel production capacity of HBIS Xuansteel which will be transferred to HBIS Tangsteel New District, each with a reduction by 20%. As a result, total designed iron and steel production capacity of the HBIS Tangsteel New District will be larger than that of the Terminated Production Facilities.

Being the exclusive industrial gas supplier to HBIS Laosteel in the HBIS Tangsteel New District, our Group reacted to and made proper and timely preparations and arrangements during the transition period in September 2020 to ensure our Group could smoothly and promptly relocate seamlessly in order to continuously support the production of iron and steel at the HBIS Tangsteel New District. The Zhongqi Investment plant is required to and can only commence its production and supply industrial gas if the HBIS Tangsteel New District is ready for production.

As a result of the implementation of the Exit and Relocation Agreement, one of the ASUs at our TTG headquarters plant which served HBIS Tangshan Branch ceased to operate and the TTG Ironmaking Branch plant which also supported HBIS Tangshan Branch ceased all of its productions from the end of August 2020 following the cessation of the relevant productions of HBIS Tangshan Branch. Our operation at the TTG headquarters plant to the extent relevant to the cold rolling mill in HBIS Tangshan Branch and Tangshan Car Plate remains unchanged. The ASU no longer in use and one of the air compressors supporting such ASU at the TTG headquarters plant and an air compressor used at the TTG Ironmaking Branch plant are being relocated to the Zhongqi Investment plant as follows:

- the relocation of the ASU (KDONAr-40000/40000/1360) of our TTG headquarters plant is expected to take place during the fourth quarter of 2020. For the cost of relocation and installment of the ASU, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus;
- the relocation of the air compressor of our TTG headquarters plant has commenced in September 2020 and will take approximately two months to complete. The estimated relocation cost is approximately RMB1.5 million based on the best estimate assessed by our management team in light of prior similar experience; and

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- the relocation of the air compressor of our TTG Ironmaking Branch plant has commenced in September 2020 and will take approximately one month to complete. The estimated relocation cost is approximately RMB1.5 million based on the best estimate assessed by our management team in light of prior similar experience.

Both relocated air compressors will support the ASU (KDONAr-40000/80000/1400) which is expected to operate by and around November/December 2020. For the remaining equipment and machinery which is affected due to our cessation of production at our TTG headquarters plant and TTG Ironmaking Branch plant, we are in the process of making appropriate arrangements such as relocating such to our production facilities in operation other than the Zhongqi Investment plant.

HBIS Laosteel shall become a new customer of the Zhongqi Investment plant. It has a larger designed production capacity than HBIS Tangshan Branch. It is expected that our decreased productions at TTG headquarters and TTG Ironmaking Branch will be gradually compensated and will further expand following the commencement of operation of the Zhongqi Investment plant starting from the end of October 2020.

The table below sets out the timetable of the contemplated movements of the designed production capacity of the ASUs of the Zhongqi Investment plant, TTG headquarters plant and TTG Ironmaking Branch plant by 2022, respectively, which is provided to the best estimate of our Directors based on the currently available information of HBIS LT Project.

<u>Estimated timeline for commencement of operation</u>	<u>Zhongqi Investment plant</u>	<u>TTG headquarters plant</u>	<u>TTG Ironmaking Branch plant</u>
Phase I			
October 2020	Increase by 60,000 Nm ³ /hr of oxygen	Decrease by 40,000 Nm ³ /hr of oxygen	Decrease by 33,000 Nm ³ /hr of oxygen
November/December 2020	Increase by 40,000 Nm ³ /hr of oxygen	N/A	N/A
First quarter of 2021	Increase by 40,000 Nm ³ /hr of oxygen	N/A	N/A
Phase II			
First half of 2022	Increase by 60,000 Nm ³ /hr of oxygen	N/A	N/A
Total	Increase by 200,000 Nm³/hr of oxygen	Decrease by 40,000 Nm³/hr of oxygen	Decrease by 33,000 Nm³/hr of oxygen
Net impact	Increase by 127,000 Nm³/hr of oxygen		

The table below sets out certain information regarding the development plan (Phases I and II) for the Zhongqi Investment plant. For further information relating to source of funding, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Development plan	Model	Designed production capacity			Expected timetable	Total investment as at 30 June 2020	Paid investment as at 30 June 2020			Estimated additional capital expenditure for the year ending 31 December			Source of funding
		Oxygen	Nitrogen	Argon									
		(Nm ³ /hr)	(Nm ³ /hr)	(Nm ³ /hr)			RMB'000	RMB'000	RMB'000	2020	2021	2022	
(1)	Land grant premium	—	—	—	In March 2019, land grant premium was paid in full and the land use right certificate for the parcel of land with a site area of approximately 127,974 sq.m. was obtained.	17,980	17,980	—	—	—	—	—	internal resources
(2)	Procurement of ASUs												
Phase I													
	Procurement and installation of a new ASU	KDONAr-60000/100000/2100	100,000	2,100	February 2019	July 2020	October 2020	311,500	204,680	64,990	—	—	— internal resources, bank borrowings and proceeds from the Global Offering ⁽¹⁾
	Procurement and installation of a new ASU and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant	KDONAr-40000/80000/1400	80,000	1,400	December 2019	November 2020	November/December 2020	132,280	20,960	101,790	—	—	— internal resources, bank borrowings and proceeds from the Global Offering ⁽¹⁾
	Relocation and installation of a used ASU from our TTG headquarters plant	KDONAr-40000/40000/1360	40,000	1,360	N/A ⁽²⁾	N/A ⁽²⁾	First quarter of 2021	81,170	—	46,000	35,170	—	— internal resources and proceeds from the Global Offering
Phase II													
	Procurement and installation of a new ASU	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	Fourth quarter of 2021	First half of 2022	First half of 2022	250,030	—	—	—	250,030	— internal resources, bank borrowings and proceeds from the Global Offering ⁽¹⁾
(3)	Main pipeline construction	—	—	—	February 2019	July 2020	—	109,850	71,530	27,340	—	—	— internal resources
(4)	Others	—	—	—	—	—	—	35,174	28,266	2,000	—	—	— internal resources

Notes:

- (1) In December 2019, we entered into a five-year loan facility in an aggregate principal amount not exceeding RMB560 million from Bank of Communication. Borrowings drawn down from the loan facility are collateralised by the property of Zhongqi Investment and shall be used in the construction of the Zhongqi Investment plant. As at 30 June 2020, no borrowing was from drawn down from such loan facility.
- (2) Relocation of this ASU has commenced in September 2020.
- (3) The model of this ASU is to be determined.

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Development status

As at the Latest Practicable Date, we had obtained the land use rights of a parcel of land with a site area of approximately 127,974 sq.m. and had engaged third party contractors to design and construct the production facilities. For more information relating to the relevant land use rights, please refer to the paragraphs headed “— Our properties — Our land with land use right certificates and other occupied land pending the land use right certificates to be obtained — Our land use rights obtained” in this section of this prospectus. The Phase I construction commenced in February 2019 including two factory buildings and ancillary facilities, one office building and the installation of new ASUs. Construction of main pipelines connecting the Zhongqi Investment plant and the production facilities of HBIS Laosteel for the purpose of supplying pipeline industrial gas to HBIS Laosteel has also started. Due to the COVID-19 pandemic, our construction progress slowed down and was delayed for approximately three months due to our contractor’s temporary shortage of labour. The Zhongqi Investment plant expects to commence its trial operation by the end of October 2020. It is expected that the trial operation will take no more than 180 days before full operation commences.

Based on the advice of our PRC Legal Advisers, we have duly obtained filings of enterprise Investment project with the local NDRC (企業投資項目備案), the land use right certificate, construction land use planning permit, the construction work planning permit, approval for environmental impact assessment for construction projects. We have also submitted the safety facility design, obtained the safety facility design approval and completed expert’s assessment of the safety condition prevention evaluation report, expert’s assessment of the trial operation scheme, expert’s assessment of the design of occupational disease prevention and control facility, which are necessary for our operation at the Zhongqi Investment plant. Based on a written confirmation issued by Laoting Housing and Urban-rural Development Bureau (樂亭縣住房和城鄉建設局) on 7 September 2020, the construction of the Zhongqi Investment plant is part of the initiatives being implemented to resolve Laoting County’s historical problems of industrial land and Zhongqi Investment is not required to obtain any construction work commencement permit for the buildings and structures constructed and Laoting Housing and Urban-rural Development Bureau would not impose administrative penalties on Zhongqi Investment for not having obtained construction work commencement permit. Based on an acknowledgment letter issued on 30 September 2020, the Laoting Housing and Urban-rural Development Bureau confirmed that Zhongqi Investment had submitted all required information for the fire design with respect to its Phase I construction and the fire design approval would be issued within 20 working days from the date of the letter. As advised by our PRC Legal Advisers, according to the acknowledgment letter aforesaid, there is no legal impediment for Zhongqi Investment’s obtaining the fire design approval in due course. For Zhongqi Investment’s historical non-compliance relating to the fire design approval during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraphs headed “ — Regulatory Compliance” in this section of this prospectus. We will ensure that all relevant required licences and approvals are obtained before the commencement of the operation of the Zhongqi Investment plant. In the unlikely event that we are not able to obtain the relevant certificate, permit, approval and complete other necessary procedures as planned, we will not proceed with the operation as planned in Phase I. Our Directors do not expect that Zhongqi Investment’s historical non-compliance will have a significant impact on our business, results of operations and financial positions as there is no legal impediment for Zhongqi Investment’s obtaining the fire design approval as advised by our PRC Legal Advisers.

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In order to ensure the implementation of our environment, social and governance measures, we are in the process of installing a waste water treatment system at the Zhongqi Investment plant. In addition, we ensure that the noise emission is controlled below our targeted level during the construction process of the Zhongqi Investment plant and its machinery installations. We will adopt higher level of production automation and efficient production processes so as to control the electricity consumption at the Zhongqi Investment plant. We expect that the total environmental compliance cost for Phase I of the Zhongqi Investment plant development which mainly comprised of noise control, precautionary measures for hazardous chemicals and waste water treatment is approximately RMB1.1 million. For our environmental, social and governance compliance, please refer to the paragraphs headed “— Environmental, social and governance” in this section of this prospectus. For risk relating to environmental protection associated with the Zhongqi Investment plant, please refer to the section headed “Risk Factors — Risks relating to our business and our industry — Our business operations and financial performance may be adversely affected if there is any change to the operation and/or business development plans of members of the HBIS Group who are our customers” and “Risk Factors — Risks relating to our business and our industry — We are subject to various environmental, fire control, safety and health regulations in the PRC, compliance with which may be difficult or expensive, and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business” in this prospectus.

Impact on our Group

We will use our best endeavours to ensure the ASUs and ancillary equipment and machinery are in place as soon as practicable so as to reduce the possibility of our production being negatively impacted.

Our forecasted sale volume of our major pipeline industrial gas, namely oxygen and nitrogen, for the year ending 31 December 2020 will decrease by approximately 8.1% and 11.4%, respectively as compared to the same for the year ended 31 December 2019, assuming that other factors affecting our business operations and financial results remain unchanged. We expect that the production volume of the Zhongqi Investment plant will gradually increase to a comparable level of the ceased productions of the TTG headquarters plant and the TTG Ironmaking Branch plant by the first quarter of 2021.

Our Directors consider that the development of the Zhongqi Investment plant will have a positive impact on our operation and financial performance. Our Directors expect that customer demand for our industrial gas products will increase in the long term with our expansion in Laoting through the Zhongqi Investment plant. We expect that the remaining production of HBIS Tangshan Branch will continue to be supported by us after Phase I of the Zhongqi Investment plant development. On the other hand, we will commence our supply of pipelines industrial gas to HBIS Laosteel by the end of October 2020. We expect that a significant demand for our supply of pipeline industrial gas from HBIS Laosteel will be recorded at the Zhongqi Investment plant when it achieves full operation after Phases I and II have been completed. The iron and steel production capacity of HBIS Laosteel is designed to be higher than that of HBIS Tangshan Branch (which is currently served by TTG headquarters plant) because HBIS Laosteel will take over most of the iron and steel production capacity of HBIS Xuansteel apart from that of HBIS Tangshan Branch. As Laoting is a major industrial zone for iron and steel production in Tangshan pursuant to the Tangshan

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government's city planning initiative and industry restructuring plan, apart from HBIS Laosteel, we will also gain access to a larger pool of potential customers with demand for our industrial gas. Our Directors consider that it is feasible for us to supply pipeline industrial gas to potential customers located in or around Laoting other than HBIS Laosteel with the planned production capacity of the Zhongqi Investment plant as long as our pipelines are constructed to connect them, which is also feasible. In addition, with our enhanced production capacity, we intend to capture the demand for supply of our liquefied industrial gas of these potential customers located in or in close proximity of Laoting.

Considering the above and the fact that production of iron and steel companies relies on continuous supplies of industrial gas, our Directors are of the view that our business operation, financial condition and results of operations will not, individually or collectively, be materially and adversely affected by the development of the Zhongqi Investment plant.

Raw Materials, Utilities and Suppliers

The raw material used in our production process of our industrial gas products is primarily air, which we obtain at zero cost.

The production process involved in our business is electricity-intensive and consumption of utilities is the largest component of our cost of revenues. Electricity, which is the majority of our required utilities, is mainly consumed by the ASUs. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, consumption of utilities, being the largest component of cost of revenues, accounted for approximately 71.6%, 73.7%, 77.2% and 78.1% of our total cost of revenues, respectively. During the Track Record Period, we procured electricity, together with primarily water, heating and steam, mainly from our pipeline industrial gas customers, including HBIS Tangshan Branch, Tangshan Stainless Steel and Tangshan Plate based on certain utility purchase contracts. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment. Heating is primarily used for our office instead of for production process. During the Track Record Period, we also procured COG from Tangshan Meijin, a connected person, for the purpose of our LNG-related business operation.

The table below sets out certain information of our utility suppliers and the duration of the corresponding utility purchase contracts.

	HBIS Tangshan Branch	Tangshan Stainless Steel	Tangshan Plate	HBIS Laosteel
Signing Date	March 2007	March 2007	June 2018 ⁽¹⁾	15 years from date of commencement of operations of the Zhongqi Investment plant, or a date to be agreed by both parties ⁽³⁾
Term of contract⁽²⁾	30 years	30 years	15 years	
Expiry Date	March 2037	March 2037	September 2033	

Notes:

- (1) The utility purchase contract of Tangshan Plate for its utility supply to us was entered into in November 2015 with a term of 15 years, which was subsequently substituted by a new contract entered into in June 2018 with a term of 15 years, thereby extending the original contract term.

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- (2) Term of the utility purchase contracts began upon the commencement of actual supply of utilities.
- (3) Actual supply of utilities commenced in June 2020 to support the construction of the Zhongqi Investment plant.

Key terms under the utility purchase contracts with HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and HBIS Laosteel are summarised below:

Term	15 or 30 years
Pricing	<p>The electricity price is generally fixed at a flat rate throughout the duration of the industrial gas supply contract subject to adjustments due to movements in local electricity price as determined by power company from time to time with reference to the government prescribed price. The utility purchase contracts also provide for an annual review in principle of the unit price at the beginning of each year based on mutual agreement if and when there has been adjustments to the government prescribed electricity price during the previous year. For other types of utilities, procurement prices are fixed at a flat rate as mutually agreed.</p> <p>Each of the long-term industrial gas supply contracts with our pipeline industrial gas contains mechanism which enables us to make adjustments to industrial gas prices with fluctuations in electricity price taken into account. During the Track Record Period, we were able to fully recover the increase in costs of consumption of utilities from members of the HBIS Group that were our pipeline industrial gas customers.</p>
Payment	<p>The payment period granted to us generally ranges from seven to 30 days upon issuance of invoice. Payment is made directly by us to our suppliers. Late payment fees will be charged at a rate specified under the utility purchase contracts.</p>
Compensation	<p>Our utility purchase contracts generally provide that where the suppliers are in breach of their contractual obligations, i.e. failure to supply utilities to us at the agreed level which is determined based on our production needs or specifications, they will be liable to compensate us for our losses and damages. The utility purchase contracts (except for the one with Tangshan Plate) generally stipulate a limit on the total amount of compensation suppliers are required to pay us for their breach of contract.</p>
Undertaking	<p>We undertake not to resell the procured utilities to third parties.</p>

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Termination

Our utility purchase contracts generally provide that such contracts will be terminated when the corresponding industrial gas supply contracts signed with the same party are terminated or one of the parties is insolvent.

The price of electricity is set by the national and local Development and Reform Commissions. The price of electricity for industrial use is generally determined by factors including transformer capacity, basic price of electricity, transmission-distribution price of electricity and other factors. According to the Frost & Sullivan Report, the price of electricity decreased from RMB 0.61 per kWh in 2014 to RMB0.55 per kWh in 2019 in the PRC. The price of electricity in North Hebei Province is lower than that of the PRC, decreasing from RMB0.56 per kWh in 2014 to RMB0.50 per kWh in 2019, while the price of electricity in South Hebei Province decreased from RMB0.62 per kWh in 2014 to RMB0.52 per kWh in 2019. For more information, please refer to the section headed “Industry Overview” in this prospectus. Our Directors confirm that our electricity prices paid during the Track Record Period and up to the Latest Practicable Date had not experienced significant deviations from the government prescribed price. Please refer to the section headed “Financial Information — Description of major components of our results of operations — Cost of revenues — Sensitivity analysis” in this prospectus for effect of fluctuation of our utility cost on our profit before income tax during the Track Record Period. Our Directors confirm that the prices of utilities charged to the Group during the Track Record Period were not subject to mark-up on top of the suppliers’ costs which were calculated by (i) the benchmark rates set by the relevant PRC authorities or where such benchmark rates are not applicable, based on the prices charged by the local utility companies; and (ii) overhead costs incurred such as depreciation. According to the Frost & Sullivan Report, such pricing practice is in line with the industry norm. Our Directors confirm that such at-cost utility pricing mechanism had not been changed during the Track Record Period although the utility purchase contracts provide for an annual review of the unit price based on mutual agreement. Our Directors further confirm that the utility purchase contracts are on normal and commercial terms, and at arm’s length which are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

We enter into this arrangement with our pipeline industrial gas customers as utility suppliers so that we can share the utility distribution network already established by them, thereby saving up a construction costs required to separately build our own utility distribution network. Given that most of our industrial gas production facilities were acquired from HBIS Company with infrastructure of the utilities initially set up thereon by the local utilities authorities or by HBIS Company when we established, we have been procuring the utilities we require for the production of industrial gas through the existing connecting utility facilities, such as wires and pipes, of the relevant member of the HBIS Group.

Our Directors consider that it would be commercially sensible to continue using stable and quality utilities through the existing arrangement with members of the HBIS Group who are also our pipeline industrial gas customers. This is also industry practice adopted by on-site gas supply plants. According to the Frost & Sullivan Report, it is an industry norm for on-site pipeline industrial gas suppliers to operate their gas production facilities on or in close proximity of the production site of their on-site customers and for such on-site customers, in turn, to provide electricity, water or road access and other utilities and common facilities for their on-site pipeline industrial gas suppliers for the operation of the industrial gas production facilities to secure reliable, stable and continuous pipeline industrial gas production and supply.

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Our Directors confirm that we had not experienced any utility supply interruption and suspension which had a material adverse impact on our business operation during the Track Record Period and up to the Latest Practicable Date.

Equipment, Pipeline and Maintenance

The core equipment used in our industrial gas production is ASU. For more information, please refer to the paragraphs headed “ — Our business — Our production process” in this section of this prospectus. Our production equipment is sourced from reputable international companies as well as established companies in the PRC specialising in the manufacturing of industrial gas production equipment. We procured major equipment or component supplies from more than 20 key suppliers during the Track Record Period. We apply high standards when selecting our equipment and component suppliers and we only source equipment and components which meet acceptable standard and quality. We had not experienced any difficulties in the procurement of equipment and components during the Track Record Period and up to the Latest Practicable Date.

The pipelines used in our pipeline industrial gas operations mainly comprise of air pipelines for air intake during the first step of our production process and distribution pipelines. Most of our pipelines were obtained by way of injection by HBIS Company at the time when we first established our operations in 2007. Over time, we substantially upgraded part of the existing pipelines and constructed new pipelines at both the TTG headquarters plant and the TTG Ironmaking Branch plant in 2009. There have not been major pipeline upgrade or replacements subsequently.

Most of our equipment and pipelines are used for less than 12 years. To improve production efficiency, we from time to time replace aged parts and components by taking into account their life span and acquire automatic machinery to reduce our labour costs. However, except for our development at the Zhongqi Investment plant, we do not expect substantial replacement or upgrade of our existing major machinery within the next 12 months.

Our in-house maintenance personnel are responsible for routine and ordinary maintenance and repair work. We have a dedicated team to ensure normal industrial gas production and distribution as well as emergency response. However, maintenance and repair projects which are complex in their nature and require specific expertise are undertaken by professional third parties and construction contractors if necessary.

We maintain schedules and procedures for regular maintenance, inspection and repairs and our production facilities are subject to daily inspection. The maintenance and repair plan is formulated based on the condition and utilisation of our production facilities. For certain special equipment, inspection and maintenance is performed by competent institutions in accordance with Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》).

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Generally, our ASUs operate 24 hours daily. A comprehensive maintenance system regularly monitors the machinery in our production process, including scheduled downtimes for repair by our in-house maintenance team. We have established a preventative maintenance program, which allows us to eliminate unscheduled downtime which may cause unexpected production inefficiencies. Generally, each of our industrial gas production plants is equipped with more than one ASU and thus, while operation of one ASU is interrupted due to inspection, maintenance and repair, the remaining ASU may serve as back up to avoid suspension in supply of industrial gas. This helps us prevent unwanted breakdown maintenances.

Our total equipment maintenance expenses for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were approximately RMB21.8 million, RMB24.0 million, RMB24.5 million and RMB10.2 million, accounting for approximately 2.5%, 2.6%, 2.4% and 2.2% of the total cost of revenues for the same periods, respectively.

Top Five Suppliers

Purchase from our five largest suppliers (of which the HBIS Group (including HBIS and its subsidiaries only) is considered as one single supplier) together accounted for approximately 78.7%, 81.1%, 83.7% and 81.4%, respectively, of our total cost of revenues for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020. For the same periods, purchase from the HBIS Group (including HBIS and its subsidiaries only) which in aggregate was our largest supplier accounted for approximately 67.5%, 70.7%, 76.5% and 77.0% of our total cost of revenues, respectively, and purchase from the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 76.9%, 79.4%, 82.2% and 79.8% of our total cost of revenues for the same periods, respectively. HBIS, the holding company of the HBIS Group, is one of our Controlling Shareholders. For more information, please refer to the section headed “Continuing Connected Transactions” in this prospectus. Our Directors confirm that none of our Directors and their respective close associates held any interest in any of our five largest suppliers during the Track Record Period.

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The table below sets out certain information in relation to our top five suppliers for the year ended 31 December 2017.

Rank	Supplier	Relationship with us	Major business scope	Major products/ services purchased	Purchase amount (RMB'000)	% to our total cost of revenues of 2017 (%)	Approximate length of relationship with our Group as at the Latest Practicable Date (years)	Credit term
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Electricity, water, steam and COG	580,565	67.5% ⁽²⁾	Up to 12	Generally seven to 30 days
2.	Tangshan Meijin	Connected person, associate of HBIS Tangsteel	Manufacture and sales of coal chemicals	Electricity and COG	69,727	8.1%	Seven	Seven days
3.	Tangsteels Veolia (Tangshan) Water Co., Ltd. (唐鋼威立雅(唐山)水務有限責任公司)	Connected person, associate of HBIS Tangsteel	Water and waste water treatment, industrial circulation water system operation, consulting and service relating to water and waste water and construction service relating to water business	Circulation water, waste water treatment service	10,842	1.3%	Five	15 days
4.	Tianjin Dongfang Yixin Logistics Co., Ltd. (天津東方宜信物流有限公司)	Independent Third Party	Transportation of dangerous goods; storage services (excluding dangerous goods); wholesale and retail of chemical products (except dangerous goods and easy drugs)	Freight and liquefied argon	8,891	1.0%	Two	60 days
5.	Jiayuguan Shuanghui Industry and Trade Co., Ltd. (嘉峪關市雙輝工貿有限責任公司)	Independent Third Party	Wholesale of liquefied industrial gas; wholesale and retail of mineral products, mechanical and electrical products, chemical products	Liquefied argon	6,958	0.8%	Six	30 days
Total					<u>676,983</u>	<u>78.7%</u>		

Notes:

- (1) Purchases from the HBIS Group only included those from the subsidiaries of the HBIS Group (and excluded purchases from its associates) for the purpose of identifying our five largest suppliers. For certain information of these subsidiaries as well as our purchases from these subsidiaries during the Track Record Period, please refer to the paragraph headed “ — Raw Materials, Utilities and Suppliers — Top five suppliers — Largest supplier” in this prospectus.
- (2) Purchase from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2017 was approximately RMB661.1 million, accounting for approximately 76.9% of our total cost of revenues for the same year.

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The table below sets out certain information in relation to our top five suppliers for the year ended 31 December 2018.

Rank	Supplier	Relationship with us	Major business scope	Major products/ services purchased	Purchase amount	% to our total cost of revenues of 2018	Approximate length of relationship with our Group as at the Latest Practicable Date	Credit term
					(RMB'000)	(%)	(years)	
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Electricity, water, steam and COG	655,579	70.7% ⁽²⁾	Up to 12	Generally seven to 30 days
2.	Tangshan Meijin	Connected person, associate of HBIS Tangsteel	Manufacture and sales of coal chemicals	Electricity and COG	68,919	7.4%	Seven	Seven days
3.	Tangsteels Veolia (Tangshan) Water Co., Ltd. (唐鋼威立雅(唐山)水務有限公司)	Connected person, associate of HBIS Tangsteel	Water and waste water treatment, industrial circulation water system operation, consulting and service relating to water and waste water and construction service relating to water business	Circulation water, waste water treatment service	11,266	1.2%	Five	15 days
4.	Tangshan Ruifeng Construction Industry Group Co., Ltd. (唐山瑞豐建業集團有限公司)	Independent Third Party	Maintenance of mechanical equipment; installation of plastic steel, metal doors and windows	Maintenance	9,249	1.0%	11	N/A ⁽³⁾
5.	Jiayuguan Shuanghui Industry and Trade Co., Ltd. (嘉峪關市雙輝工貿有限公司)	Independent Third Party	Wholesale of liquefied industrial gas; wholesale and retail of mineral products, mechanical and electrical products, chemical products	Liquefied argon	7,409	0.8%	Six	30 days
Total					752,422	81.1%		

Notes:

- (1) Purchases from the HBIS Group only included those from the subsidiaries of the HBIS Group (and excluded purchases from its associates) for the purpose of identifying our five largest suppliers. For certain information of these subsidiaries as well as our purchases from these subsidiaries during the Track Record Period, please refer to the paragraph headed “ — Raw Materials, Utilities and Suppliers — Top five suppliers — Largest supplier” in this prospectus.
- (2) Purchase from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2018 was approximately RMB735.8 million, accounting for approximately 79.4% of our total cost of revenues for the same year.
- (3) 90% of invoice amount was due upon receipt of invoice with the remaining 10% to be paid within a warranty period of 12 months.

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The table below sets out certain information in relation to our top five suppliers for the year ended 31 December 2019.

Rank	Supplier	Relationship with us	Major business scope	Major products/ services purchased	Purchase amount (RMB'000)	% to our total cost of revenues of 2019 (%)	Approximate length of relationship with our Group as at the Latest Practicable Date (years)	Credit term
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Electricity, water, steam and COG	782,573	76.5% ⁽²⁾	Up to 12	Generally seven to 30 days
2.	Tangshan Meijin	Connected person, associate of HBIS Tangsteel	Manufacture and sales of coal chemicals	Electricity and COG	46,800	4.6%	Seven	Seven days
3.	Tangsteels Veolia (Tangshan) Water Co., Ltd. (唐鋼威立雅(唐山)水務有限責任公司)	Connected person, associate of HBIS Tangsteel	Water and waste water treatment, industrial circulation water system operation, consulting and service relating to water and waste water and construction service relating to water business	Circulation water, waste water treatment service	11,130	1.1%	Five	15 days
4.	Tangshan Ruifeng Construction Industry Group Co., Ltd. (唐山瑞豐建業集團有限公司)	Independent Third Party	maintenance of mechanical equipment; installation of plastic steel, metal doors and windows	Maintenance	8,685	0.8%	11	N/A ⁽³⁾
5.	Jiayuguan Shuanghui Industry and Trade Co., Ltd. (嘉峪關市雙輝工貿有限責任公司)	Independent Third Party	wholesale of liquefied industrial gas; wholesale and retail of mineral products, mechanical and electrical products, chemical products	Liquefied argon	7,651	0.7%	Six	30 days
Total					856,839	83.7%		

Notes:

- (1) Purchases from the HBIS Group only included those from the subsidiaries of the HBIS Group (and excluded purchases from its associates) for the purpose of identifying our five largest suppliers. For certain information of these subsidiaries as well as our purchases from these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Raw Materials, Utilities and Suppliers — Top five suppliers — Largest supplier” in this prospectus.
- (2) Purchase from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2019 was approximately RMB840.5 million, accounting for approximately 82.2% of our total cost of revenues for the same year.
- (3) 90% of invoice amount was due upon receipt of invoice with the remaining 10% to be paid within a warranty period of 12 months.

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The table below sets out certain information in relation to our top five suppliers for the six months ended 30 June 2020.

Rank	Supplier	Relationship with us	Major business scope	Major products/ services purchased	Purchase amount (RMB'000)	% to our total cost of revenues of 2019 (%)	Approximate length of relationship with our Group as at the Latest Practicable Date (years)	Credit term
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Electricity, water, steam and COG	352,129	77.0% ⁽²⁾	Up to 12	Generally seven to 30 days
2.	Tangshan Meijin	Connected person, associate of HBIS Tangsteel	Manufacture and sales of coal chemicals	Electricity	8,451	1.8%	Seven	Seven days
3.	Tangsteels Veolia (Tangshan) Water Co., Ltd. (唐鋼威立雅(唐山)水務有限責任公司)	Connected person, associate of HBIS Tangsteel	Water and waste water treatment, industrial circulation water system operation, consulting and service relating to water and waste water and construction service relating to water business	Circulation water, waste water treatment service	4,767	1.0%	Five	15 days
4.	Jiayuguan Shuanghui Industry and Trade Co., Ltd. (嘉峪關市雙輝工貿有限責任公司)	Independent Third Party	Wholesale of liquefied industrial gas; wholesale and retail of mineral products, mechanical and electrical products, chemical products; transportation of dangerous goods	Liquefied argon	3,834	0.8%	Six	30 days
5.	Kuo Shun (Tianjin) Logistics Co., Ltd. (闊順(天津)物流有限公司)	Independent Third Party	Warehousing services, general freight, car rental, labour services, enterprise management consulting, wholesale and retail, transportation of dangerous goods, maritime international freight forwarding, air international freight forwarding, land international freight forwarding business	Logistics services and liquefied argon	3,473	0.8%	One	60 days
Total					<u>372,654</u>	<u>81.4%</u>		

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Notes:

- (1) Purchases from the HBIS Group only included those from the subsidiaries of the HBIS Group (and excluded purchases from its associates) for the purpose of identifying our five largest suppliers. For certain information of these subsidiaries as well as our purchases from these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Raw Materials, Utilities and Suppliers — Top five suppliers — Largest supplier” in this prospectus.
- (2) Purchase from the HBIS Group (including HBIS, its subsidiaries and associates) for the six months ended 30 June 2020 was approximately RMB365.3 million, accounting for approximately 79.8% of our total cost of revenues for the same period.

Largest Supplier

During the Track Record Period, the HBIS Group (including HBIS and its subsidiaries) in aggregate was our largest supplier. The table below sets out certain information of the suppliers which were subsidiaries of the HBIS Group as well as our purchases from these subsidiaries during the Track Record Period.

Subsidiaries of the HBIS Group	Major products/ services purchased	For the year ended 31 December			For the six months ended
		2017	2018	2019	30 June 2020
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
HBIS Tangshan Branch	Electricity, water, steam and COG	331,456	355,555	391,907	169,379
Tangshan Stainless Steel	Electricity, water and steam	132,592	170,953	182,989	81,507
Tangshan Plate	Electricity, water, steam and liquefied oxygen	115,968	128,497	206,580	99,924
HBIS Laosteel	Electricity	—	—	—	879
Tangshan Huitang New business Co., Ltd (唐山惠唐新事業股份有限公司)	Maintenance of vehicles	549	388	257	102
Tangshan Jinheng Human Resource Management Co., Ltd (唐山金恒人力資源管理有限公司)	Labour despatch	—	186	840	338
Total		580,565	655,579	782,573	352,129

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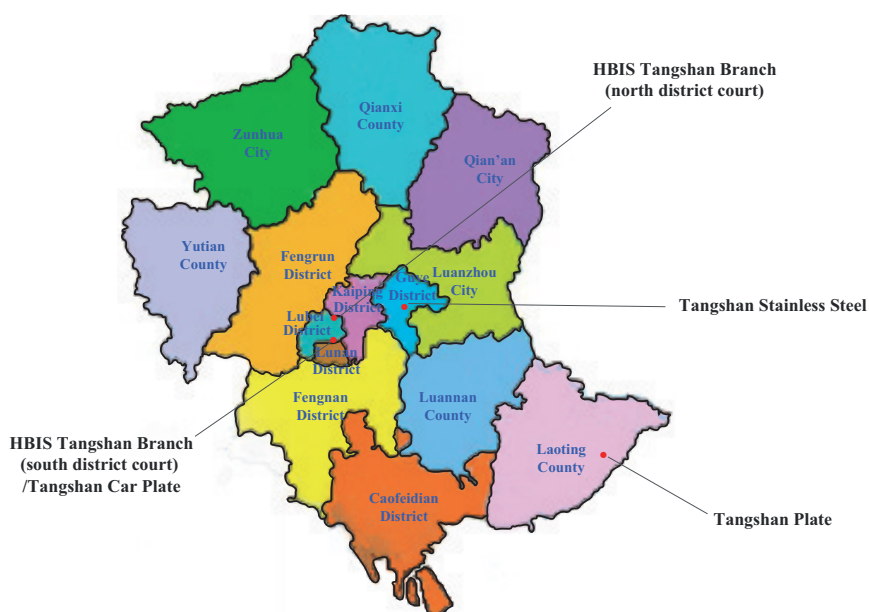
Inventory Control

Our inventories mainly consist of finished goods and spare parts. Finished goods mainly consist of unsold or unutilised liquefied industrial gas and LNG products. We usually maintain an inventory of liquefied industrial gas and LNG equivalent to a production volume of up to two weeks. We may, under exceptional circumstance, maintain minimal inventory of spare parts on an as-needed basis for our production equipment and machinery. For more information regarding our inventory policies, please refer to the section headed “Financial Information — Discussion of certain items of consolidated balance sheets — Current assets and liabilities — Inventories” in this prospectus. Our Directors understand the importance of inventory management in order to maintain our operation costs and risks at a low level. We monitor our inventory levels by taking into account production planning, projected demand, current inventory level, prevailing market condition and supplies we need in order to balance our operation needs and our exposure to changes in market prices as well as availability of our internal resources.

Customers

The locations of our industrial gas production plants indicate the locations of our pipeline industrial gas customers as our productions of industrial gas are conducted on or in close proximity of the production sites of our pipeline industrial gas customers. None of our industrial gas production plants in operation except for TTG headquarters plant is situated in the urban areas of Tangshan. Our liquefied industrial gas customers are usually located within a radius of 250km to 300km from our industrial gas production plants.

The following map illustrates the locations of our pipeline industrial gas customers in Tangshan, Hebei Province during the Track Record Period.



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Pipeline Industrial Gas Customers

During the Track Record Period and up to the Latest Practicable Date, we supplied pipeline industrial gas to members of the HBIS Group, namely HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and Tangshan Car Plate. As our industrial gas production plants are located on or in close proximity to the production premises of our pipeline industrial gas customers, we consider our pipeline industrial gas customers as our on-site customers. We generally entered into long-term industrial gas supply contracts with our pipeline industrial gas customers.

The table below sets out revenue, sales volume and average selling price of our pipeline industrial gas for the periods indicated.

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
			Average			Average			Average			Average			Average
	Revenue	Volume	selling	Revenue	Volume	price	Revenue	Volume	selling	Revenue	Volume	price	Revenue	Volume	selling
	RMB'000	Nm ³	RMB/Nm ³	RMB'000	Nm ³	RMB/Nm ³	RMB'000	Nm ³	RMB/Nm ³	RMB'000	Nm ³	RMB/Nm ³	RMB'000	Nm ³	RMB/Nm ³
										(unaudited)					
Supply of pipeline industrial gas															
Oxygen	499,760	1,128,267,357	0.44	543,206	1,231,501,572	0.44	697,609	1,602,889,081	0.44	372,961	858,772,407	0.43	340,445	782,980,313	0.43
Nitrogen	160,597	1,478,248,764	0.11	159,239	1,458,079,353	0.11	215,240	1,957,850,655	0.11	113,346	1,032,091,204	0.11	102,916	935,713,840	0.11
Hydrogen	21,664	7,221,409	3.00	16,956	5,652,229	3.00	18,787	6,262,390	3.00	9,241	3,080,317	3.00	8,761	2,920,373	3.00
Total	682,021			719,401			931,636			495,548			452,122		

The table below sets out certain information of our pipeline industrial gas customers and the duration of the corresponding industrial gas supply contracts.

	HBIS Tangshan Branch	Tangshan Stainless Steel	Tangshan Plate	Tangshan Car Plate	HBIS Laosteel
Background information of pipeline industrial gas customers	Branch of HBIS Company	Subsidiary of HBIS Tangsteel	Subsidiary of HBIS Company	Subsidiary of HBIS Tangsteel	Subsidiary of HBIS Company
Signing Date	March 2007	March 2007	June 2018 ⁽¹⁾	January 2019 ⁽²⁾	May 2018
Term of contract	30 years	30 years	15 years	Two years	15 years
Expiry Date	February 2037 ⁽³⁾	February 2037	May 2033	December 2020 ⁽⁴⁾	October 2035 ⁽⁵⁾

Notes:

- (1) We commenced supply of pipeline industrial gas to Tangshan Plate from January 2015 pursuant to an industrial gas supply contract with a term of 15 years. Pursuant to a contract entered into in June 2018, we will supply pipeline industrial gas to Tangshan Plate for 15 years from June 2018, thereby extending the original contract term.
- (2) We commenced supply of pipeline industrial gas to Tangshan Car plate from January 2015 and the current effective contract with Tangshan Car Plate was signed in January 2019.
- (3) Most of the operations of HBIS Tangshan Branch have ceased since the end of August 2020. As a result, it was agreed that the minimum purchase volume under our long-term contract with HBIS Tangshan Branch would no longer be enforced since that time.

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- (4) The industrial gas supply contract with Tangshan Car Plate will be automatically renewed upon expiry provided that both parties have no disagreements on the contractual terms thereunder. Our Directors confirm that the industrial gas supply contract with Tangshan Car Plate will be renewed based on our communication with Tangshan Car Plate.
- (5) It is expected that our supply of pipeline industrial gas to HBIS Laosteel will commence by the end of October 2020.

Key terms under the industrial gas supply contracts are summarised below:

Term	15 or 30 years (except for Tangshan Car Plate)
Minimum purchase volume	The industrial gas supply contracts (except for the one with Tangshan Car Plate) provide for a monthly minimum purchase volume for each type of pipeline industrial gas products which our pipeline industrial gas customers are required to purchase from us throughout the term of the respective contracts. When the actual purchase volume is below the monthly minimum purchase volume, our pipeline industrial gas customers remain responsible for the fees calculated based on the monthly minimum purchase volume.
Product Specifications	Our industrial gas supply contracts also stipulate the specifications of the gas products that we are required to supply to our pipeline industrial gas customers, such as purity, pressure level, temperature and guaranteed normal quantity of supply. In respect of the guaranteed normal quantity of supply, we are required to ensure a continuous industrial gas products supply at the agreed hourly level by all means, including but not limited to (i) discontinuing the supply of required industrial gas products to other customers; (ii) procurement of required industrial gas products from third parties. When the pipeline industrial gas customers' pipeline industrial gas demand exceeds the guaranteed level, we are allowed to supply liquefied industrial gas to them upon their instructions. If our pipeline industrial gas customers request an increase in the guaranteed level of supply 18 months in advance, we are required to use commercially reasonable efforts to unconditionally accommodate such requests.
Pricing and Adjustment	Pricing is determined based on mutual agreement with reference to our production costs. The industrial gas supply contracts specify the fixed unit prices (excluding tax) for each of the products (both pipeline industrial gas and liquefied industrial gas). Each of the industrial gas supply contracts contains terms which enable us to make adjustments to unit prices with fluctuations in electricity price taken into account. Our pipeline industrial gas customers are generally required to provide us with utilities such as electricity, water and steam under separate contractual arrangements.

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Payment

Monthly settlement is made on the basis of the actual supply volume subject to the minimum purchase volume by each pipeline industrial gas customer. The credit period granted to our pipeline industrial gas customers is usually no more than 180 days while the credit term under the contracts is usually seven to 30 days upon issuance of invoice. Payment is made to us directly by our pipeline industrial gas customers. Late payment fees will be charged at a rate specified under the industrial gas supply contracts.

Compensation

Our industrial gas supply contracts generally provide that, where we are in breach of our contractual obligations, i.e. failure to provide industrial gas products at the agreed product specifications to our pipeline industrial gas customers, we will be liable to compensate our pipeline industrial gas customers for direct losses or damages. Our industrial gas supply contracts generally stipulate our limitation on compensation we are required for our breach of contract.

Suspension and Termination

Except for the contract with Tangshan Car Plate, our industrial gas supply contracts provide that we have the right to elect to suspend our industrial gas supply if there are three or more payments overdue for more than 20 working days from pipeline industrial gas customers. We are entitled to terminate the contract if such suspension exceeds three months.

Pricing policy

The selling prices of pipeline industrial gas products are jointly determined by our management and sales departments on the basis of a cost-plus method, which is in line with the general practice in the industry. In determining our pricing strategies, we take into account our overall production costs (mainly utility cost), product type, operational efficiency as a whole, level of demand and supply and our expected profit margins and price range acceptable to our pipeline industrial gas customers. We review and adjust our pricing policy periodically based on these factors and other general market condition.

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According to the Frost & Sullivan Report, the prices of pipeline industrial gas projects are set before the initiation of the projects. In the contracts, the minimum amount of usage and the price based on the electricity price are determined. Basic rates of return are guaranteed based on the contracts. The gross profit margin is generally between 10% and 25%. For more information, please refer to the section headed “Industry Overview — China’s industrial gas industry — Price analysis of industrial gas industry” in this prospectus. During the Track Record Period, our gross profit margin of supply of pipeline industrial gas ranged between 10% and 20%, which was within the gross profit margin in the industry.

Liquefied Industrial Gas Customers

Customers of our liquefied industrial gas include Independent Third Parties which operate in a wide range of industries, including medical, shipping, engineering, photovoltaic, food and automotive. Our liquefied industrial gas was sold to traders and end-users. To a smaller extent, our liquefied industrial gas products are supplied to pipeline industrial gas customers which are members of the HBIS Group, in which circumstance we gasify the liquefied oxygen, nitrogen and argon stored in our large tanks and deliver those in gas form via pipeline. Liquefied oxygen and nitrogen is supplied to the pipeline industrial gas customers mainly as a back-up in the event that the supply of pipeline oxygen and nitrogen to them cannot fully satisfy their demand, or where occasionally requested by such customers, on an ad hoc and as needed basis. Under these circumstances, selling prices of liquefied industrial gas products, instead of those of pipeline industrial gas products, apply to the sales to pipeline industrial gas customers. Argon, when supplied to members of the HBIS Group, is primarily provided to the members of the HBIS Group on demand according to their production needs. Carbon dioxide is primarily supplied to food industry as food additives and to logistic industry as dry ice, one of the common shipping coolants. Our liquefied industrial gas is generally delivered in road tanks and is occasionally supplied in storage tanks on site of our liquefied industrial gas customers upon request.

The table below sets out revenue, sales volume and average selling price of our liquefied industrial gas for the periods indicated.

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
			Average selling price			Average selling price			Average selling price			Average selling price			Average selling price
	Revenue	Volume	price	Revenue	Volume	price	Revenue	Volume	price	Revenue	Volume	price	Revenue	Volume	price
	RMB'000	Tonne	RMB/tonne	RMB'000	Tonne	RMB/tonne	RMB'000	Tonne	RMB/tonne	RMB'000	Tonne	RMB/tonne	RMB'000	Tonne	RMB/tonne
										(unaudited)					
Supply of liquefied industrial gas															
Oxygen	74,679	91,707	814.3	130,240	126,436	1,030.1	106,638	143,407	743.6	61,018	79,328	769.2	43,192	50,176	860.8
Nitrogen	50,463	90,931	555.0	50,001	76,608	652.7	30,659	49,171	623.5	15,818	26,532	596.2	9,004	14,691	612.9
Argon	105,271	56,250	1,871.5	98,346	60,948	1,613.6	100,573	72,494	1,387.3	51,536	37,004	1,392.7	40,274	30,502	1,320.4
Carbon dioxide	7,236	15,155	477.5	11,127	25,738	432.3	17,326	40,029	432.8	8,043	18,881	426.0	9,217	18,549	496.9
Total	237,649			289,714			255,196			136,415			101,687		

BUSINESS

We enter into liquefied gas supply contracts with customers other than certain members of the HBIS Group that have a stable and regular demand for liquefied gas products. The key terms of our liquefied industrial gas supply contracts are set out below:

Term	Liquefied gas supply contracts are usually with a term of one to five years and can be renewed automatically if neither party has objection. For a few customers, the liquefied gas supply contracts may last for five to ten years.
Pricing and price adjustment	Selling price is fixed unit price for each type of liquefied industrial gas in the supply contracts subject to the market price fluctuations, inflation and costs of raw materials which may lead to the change of our cost of revenues.
Quality	Our liquefied industrial gas products should comply with the national standards prescribed by the Standardisation Administration of the PRC.
Order	Customers are required to place orders within 48 hours in advance and all orders received shall be subject to rejection or acceptance by us in our sole discretion.
Delivery	Customers may collect the products at our production bases and are responsible for arranging the delivery of the liquefied industrial gas. Delivery is considered complete upon customers' signing of the delivery note and risk of loss or damage to the goods passes to customers accordingly upon such delivery. More often, we are responsible for the delivery of our products to the plants of the customers and risk of loss or damages to the goods passes to customers upon the liquefied gas is filled into the gas tanks of the customers.
Payment	Customers are normally required to make advance payment for each purchase and payment is made to us directly. Late payment fee will be charged in case of delayed payments. There are a selected number of customers who have stable and regular demand for our liquefied industrial gas products are granted a payment period of within 15 to 30 days upon issuance of our invoice instead of making advance payment.
Safety	We are obliged to comply with applicable laws and regulations relevant to production safety. Customers need to follow our work safety policies when the goods are in transportation at our production plants and shall obtain the dangerous goods transportation permit for the delivery of the products.

BUSINESS

Warranties

If the quality of the products does not satisfy the specified national standards, customers shall inform us within 12 hours and refuse to accept the goods within 24 hours upon delivery. Upon notice, we shall refund our customers if such defect is verified and confirmed by us.

Termination

We are entitled to terminate the supply contract immediately if (i) our customers fail to pay any amount due under the contract and remains in default for more than 30 days; or (ii) either party is declared bankrupt or goes into liquidation.

Pricing policy

The selling prices of our liquefied industrial gas products are jointly determined by our management and sales departments with reference to market prices. During the Track Record Period, market prices of liquefied industrial gas products experienced fluctuations. According to the Frost & Sullivan Report, in 2019, the average prices of liquefied oxygen, liquefied nitrogen and liquefied argon in the Jing-Jin-Ji Region were approximately RMB744 per tonne, RMB624 per tonne and RMB1,387 per tonne respectively, each of which was lower than those of 2018. For more information, please refer to the section headed “Industry Overview — China’s industrial gas industry — Price analysis of industrial gas industry” in this prospectus. For our average selling prices of our liquefied industrial gas products, please refer to the section headed “Financial Information — Description of major components of our results of operations — Revenue” in this prospectus.

LNG-Related Business Customers

During the Track Record Period, a significant number of our LNG customers were Independent Third Parties which were both traders and end-users operating in a wide range of industries, such as energy and shipping. During the Track Record Period, we had 56, 47, 19 and nil LNG customers for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, of which 52, 42, 15 and nil were Independent Third Parties, respectively. During the Track Record Period, HBIS Tangshan Branch was our sole customer of our provision of gas transmission service. While HBIS Tangshan Branch is able to produce COG as a by-product in a small volume, a significant volume of COG is required as fuel for the purpose of steel production and therefore HBIS Tangshan Branch has a demand for our provision of gas transmission service.

BUSINESS

Pricing policy

The selling price of our LNG product is jointly determined by our management and sales departments with reference to market rates. According to the Frost & Sullivan Report, the average market price of LNG in the Jing-Jin-Ji Region experienced fluctuations from 2014 to 2019 from time to time. With large quantity LNG imports, the market price of LNG decreased steadily from approximately RMB4,799 per tonne in 2014 to approximately RMB3,033 per tonne in 2016. Due to supply shortage of LNG since 2017, the market price of LNG increased to approximately RMB4,842 per tonne in 2019. For more information, please refer to the section headed “Industry Overview — China’s industrial gas industry — Market size of China’s and the Jing-Jin-Ji Region’s LNG Industry” in this prospectus. We charged HBIS Tangshan Branch for provision of gas transmission service at a rate negotiated and determined based on our transmission cost. We have a price adjustment arrangement in place with HBIS Tangshan Branch, which ensures our ability to recover the cost of LNG-related business. For more information regarding the price adjustment arrangement with HBIS Tangshan Branch, please refer to the paragraphs headed “— Our business — LNG-related business” in this section of this prospectus.

Top Five Customers

Sales to our five largest customers (of which the HBIS Group (including HBIS and its subsidiaries only) is considered as one single customer) together accounted for approximately 83.7%, 80.1%, 87.8% and 91.7% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. For the same periods, sales to the HBIS Group (including HBIS and its subsidiaries) which in aggregate was our largest customer accounted for approximately 79.2%, 73.4%, 83.6% and 88.1% of our total revenue, respectively, and sales to the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue, respectively. HBIS, the holding company of the HBIS Group, is one of our Controlling Shareholders. For more information, please refer to the section headed “Continuing Connected Transactions” in this prospectus. Our Directors confirm that none of our Directors and their respective close associates held any interest in any of our five largest customers during the Track Record Period.

BUSINESS

The table below sets out certain information in relation to our top five customers for the year ended 31 December 2017.

Rank	Customer	Relationship with us	Major business scope	Major products/ service sold/provided by us	Sales amount	% to our total revenue of 2017	Approximate length of relationship with our Group as at the Latest Practicable Date	Credit term
					(RMB'000)	(%)	(years)	(days)
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Pipeline industrial gas (oxygen, nitrogen and hydrogen), liquefied industrial gas (oxygen, nitrogen and argon), LNG and gas transmission service	813,906	79.2% ⁽²⁾	Up to 12	Seven to 30
2.	Solargiga Energy (Qinghai) Co., Ltd. (陽光能源(青海)有限公司)	Independent Third Party	Manufacture and sales of solar panel batteries	Liquefied industrial gas (argon)	16,228	1.6%	Eight	Ten
3.	Tangshan Xinxin Clean Energy Co., Ltd. (唐山新鑫清潔能源有限公司)	Independent Third Party	Trading of LNG products	LNG	13,519	1.3%	Three	Payment in advance ⁽³⁾
4.	Tangshan Hengsheng Gas Co., Ltd. (唐山市恒盛氣體有限公司)	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	8,666	0.8%	Three	Payment in advance ⁽⁴⁾
5.	Tangshan Rongsheng Gas Co., Ltd. (唐山榮升氣體有限公司)	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen, argon and carbon dioxide)	8,168	0.8%	Three	Payment in advance ⁽⁴⁾
Total					<u>860,487</u>	<u>83.7%</u>		

Notes:

- (1) Revenue generated from the HBIS Group only included sales to the subsidiaries of the HBIS Group (and excluded sales to its associates) for the purpose of identifying our five largest customers. For certain information of these subsidiaries as well as our sales to these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Customers — Top five customers — Largest customer” in this prospectus.
- (2) Revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2017 was approximately RMB818.7 million, accounting for approximately 79.7% of our total revenue for the same year.
- (3) Our supply of LNG was delivered upon receipt of prepayment in full.
- (4) We required the customers to make certain prepayment, with the remaining balance to be paid afterwards.

BUSINESS

The table below sets out certain information in relation to our top five customers for the year ended 31 December 2018.

Rank	Customer	Relationship with us	Major business scope	Major products/ service sold/provided by us	Sales amount (RMB'000)	% to our total revenue of 2018 (%)	Approximate length of relationship with our Group as at the Latest Practicable Date (years)	Credit term (days)
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Pipeline industrial gas (oxygen, nitrogen and hydrogen), liquefied industrial gas (oxygen, nitrogen and argon), LNG and gas transmission service	840,415	73.4% ⁽²⁾	Up to 12	Seven to 30
2.	Tang Shan Fengnan Xinning Industrial Gas Co., Ltd. (唐山市豐南區鑫凝工業氣體有限公司) ⁽³⁾	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	27,102	2.4%	Three	Payment in advance ⁽⁴⁾
3.	Tangshan Hengsheng Gas Co., Ltd. (唐山市恒盛氣體有限公司)	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	20,333	1.8%	Three	Payment in advance ⁽⁴⁾
4.	Customer A	Independent Third Party	Trading of LNG products	LNG	15,344	1.3%	Four	Payment in advance ⁽⁵⁾
5.	Tangshan Zhengfeng Iron and Steel Co., Ltd. (唐山正豐鋼鐵有限公司)	Independent Third Party	Manufacture and sales of iron and steel products	Liquefied industrial gas (oxygen, nitrogen and argon)	13,713	1.2%	Five	15 to 20 ⁽⁶⁾
Total					916,907	80.1%		

Notes:

- Revenue generated from the HBIS Group only included sales to the subsidiaries of the HBIS Group (and excluded sales to its associates) for the purpose of identifying our five largest customers. For certain information of these subsidiaries as well as our sales to these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Customers — Top five customers — Largest customer” in this prospectus.
- Revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2018 was approximately RMB846.8 million, accounting for approximately 73.9% of our total revenue for the same year.
- Formerly known as Tangshan Fengnan Hongrui Trading Co., Ltd. (唐山市豐南區鴻瑞商貿有限公司).
- We required the customers to make certain prepayment, with the remaining balance to be paid afterwards.
- Our supply of LNG was delivered upon receipt of prepayment in full.
- The invoice of payment for current month was issued between the 21st and the 25th of each month; and the customer was required to settle the payment before the 10th of the next month.

BUSINESS

The table below sets out certain information in relation to our top five customers for the year ended 31 December 2019.

Rank	Customer	Relationship with us	Major business scope	Major products/ service sold/provided by us	Sales amount	% to our total revenue of 2019	Approximate length of relationship with our Group as at the Latest Practicable Date	Credit term
					(RMB'000)	(%)	(years)	(days)
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Pipeline industrial gas (oxygen, nitrogen and hydrogen), liquefied industrial gas (oxygen, nitrogen and argon), LNG and gas transmission service	1,090,924	83.6% ⁽²⁾	Up to 12	Seven to 30
2.	Tangshan Zhengfeng Iron and Steel Co., Ltd. (唐山正豐鋼鐵有限公司)	Independent Third Party	Manufacture and sales of iron and steel products	Liquefied industrial gas (oxygen, nitrogen and argon)	17,833	1.4%	Five	15 to 20 ⁽³⁾
3.	Tang Shan Fengnan Xinning Industrial Gas Co., Ltd. (唐山市豐南區鑫凝工業氣體有限公司) ⁽⁴⁾	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	16,861	1.3%	Three	Payment in advance ⁽⁵⁾
4.	Solargiga Energy (Qinghai) Co., Ltd. (陽光能源(青海)有限公司)	Independent Third Party	Manufacture and sales of solar panel batteries	Liquefied industrial gas (argon)	9,996	0.8%	Eight	Ten
5.	Tangshan Hengsheng Gas Co., Ltd. (唐山市恒盛氣體有限公司)	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	9,383	0.7%	Three	Payment in advance ⁽⁵⁾
Total					<u>1,144,997</u>	<u>87.8%</u>		

Notes:

- (1) Revenue generated from the HBIS Group only included sales to the subsidiaries of the HBIS Group (and excluded sales to its associates) for the purpose of identifying our five largest customers. For certain information of these subsidiaries as well as our sales to these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Customers — Top five customers — Largest customer” in this prospectus.
- (2) Revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) for the year ended 31 December 2019 was approximately RMB1,096.7 million, accounting for approximately 84.0% of our total revenue for the same year.
- (3) The invoice of payment for current month was issued between the 21st and the 25th of each month; and the customer was required to settle the payment before the 10th of the next month.
- (4) Formerly known as Tangshan Fengnan Hongrui Trading Co., Ltd. (唐山市豐南區鴻瑞商貿有限公司).
- (5) We required the customers to make certain prepayment, with the remaining balance to be paid afterwards.

BUSINESS

The table below sets out certain information in relation to our top five customers for the six months ended 30 June 2020.

Rank	Customer	Relationship with us	Major business scope	Major products/ service sold/provided by us	Sales amount (RMB'000)	% to our total revenue of 2019 (%)	Approximate length of relationship with our Group as at the Latest Practicable Date (years)	Credit term (days)
1.	HBIS Group ⁽¹⁾	Connected person	Manufacture and sales of iron and steel products	Pipeline industrial gas (oxygen, nitrogen and hydrogen), liquefied industrial gas (oxygen, nitrogen and argon), gas transmission service	526,323	88.1% ⁽²⁾	Up to 12	Seven to 30
2	Hebei Tianzhu Iron and Steel Group Co., Ltd. (河北天柱鋼鐵集團有限公司)	Independent third party	Manufacture and sales of iron and steel products	Liquefied industrial gas (oxygen)	9,716	1.6%	One	Payment in advance
3	Jinzhou Youhua Silicon Material Co., Ltd. (錦州佑華硅材料有限公司)	Independent third party	Manufacture and sales of silicon materials	Liquefied industrial gas (argon)	4,785	0.8%	Eight	Ten
4.	Tang Shan Fengnan Xinning Industrial Gas Co., Ltd. (唐山市豐南區鑫凝工業氣體有限公司) ⁽³⁾	Independent Third Party	Trading of industrial gas products	Liquefied industrial gas (oxygen, nitrogen and argon)	4,165	0.7%	Three	Payment in advance ⁽⁴⁾
5	Customer B	Independent third party	Manufacture and sales of solar energy silicon rod and related products; provision of technical research and development and technical services	Liquefied industrial gas (argon)	3,238	0.5%	One	60
Total					<u>548,227</u>	<u>91.7%</u>		

Notes:

- (1) Revenue generated from the HBIS Group only included sales to the subsidiaries of the HBIS Group (and excluded sales to its associates) for the purpose of identifying our five largest customers. For certain information of these subsidiaries as well as our sales to these subsidiaries during the Track Record Period, please refer to the paragraph headed “— Customers — Top five customers — Largest customer” in this prospectus.
- (2) Revenue generated from the HBIS Group (including HBIS, its subsidiaries and associates) for the six months ended 30 June 2020 was approximately RMB529.1 million, accounting for approximately 88.5% of our total revenue for the same year.
- (3) Formerly known as Tangshan Fengnan Hongrui Trading Co., Ltd. (唐山市豐南區鴻瑞商貿有限公司).
- (4) We required the customers to make certain prepayment, with the remaining balance to be paid afterwards.

BUSINESS

Largest Customer

During the Track Record Period, the HBIS Group (including HBIS and its subsidiaries) in aggregate was our largest customer. The table below sets out certain information of the customers which were subsidiaries of the HBIS Group as well as our sales to these subsidiaries during the Track Record Period.

Subsidiaries of the HBIS Group	Major products/services sold/provided by us	For the year ended 31 December			For the six months ended 30 June 2020
		2017	2018	2019	
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
HBIS Tangshan Branch	Pipeline industrial gas (oxygen, nitrogen and hydrogen), liquefied industrial gas (argon) and gas transmission service	414,183	449,458	565,292	260,666
Tangshan Stainless Steel	Pipeline industrial gas (oxygen and nitrogen) and liquefied industrial gas (oxygen, nitrogen and argon)	210,405	201,437	207,465	98,308
Tangshan Plate	Pipeline industrial gas (oxygen and nitrogen), liquefied industrial gas (oxygen, nitrogen and argon), maintenance	168,437	167,493	285,544	153,388
Tangshan Car Plate	Pipeline industrial gas (nitrogen and hydrogen) and LNG	14,955	16,122	21,991	8,977
Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd. (唐山鋼鐵集團重機裝備有限公司)	Liquefied industrial gas (oxygen and argon) and LNG	4,899	3,038	1,171	523
Hebei Tangyin Iron and Steel Co., Ltd. (唐鋼集團河北唐銀鋼鐵有限公司)	Pipeline industrial gas (nitrogen) ⁽¹⁾ and liquefied industrial gas (oxygen)	778	2,485	8,039	2,212
HBIS Tangsteel	Liquefied industrial gas (oxygen, nitrogen and carbon dioxide) and LNG	231	373	663	252
Tangshan Chuangyuan Fangda Electric Co., Ltd. (唐山創元方大電氣有限責任公司)	Liquefied industrial gas (nitrogen)	18	9	19	24
Tangsteel Qinglong Furnance Charge Co., Ltd. (唐鋼青龍爐料有限公司)	Liquefied industrial gas (oxygen)	—	—	—	65
HBIS Laosteel	LNG and other miscellaneous	—	—	740	1,908
Total		813,906	840,415	1,090,924	526,323

Note:

- (1) Supply of pipeline industrial gas (nitrogen) to Hebei Tangyin Iron and Steel Co., Ltd. (唐鋼集團河北唐銀鋼鐵有限公司) was in small amounts during the Track Record Period.

BUSINESS

Concentration of Customers and Suppliers

We experienced concentration of our customers and suppliers during the Track Record Period and up to the Latest Practicable Date, primarily due to our relationship with members of the HBIS Group and our business model. For further details on the risk of customer and supplier concentration, please refer to the section headed “Risk Factors — Risks relating to our business and our industry — Our relationship with members of the HBIS Group is crucial to our business operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between members of the HBIS Group and us” in this prospectus. Considering that (i) such concentration is common for industrial gas suppliers in the PRC which primarily engage in supply of pipeline industrial gas; (ii) our relationship with members of the HBIS Group; and (iii) the historical background of our establishment as well as our stability for the past 12 years, our Directors are of the view that our concentration of customers and suppliers would not impact on our suitability for Listing. For more information, please refer to the paragraphs headed “— Our business — Relationship with members of the HBIS Group” in this section of this prospectus.

Overlapping Suppliers and Customers

Our pipeline industrial gas customers are also our suppliers of utilities. According to the Frost & Sullivan Report, it is an industry norm that the on-site customers will provide utilities to their pipeline industrial gas supplier. For more information, please refer to the paragraphs headed “— Raw materials, utilities and suppliers” and “— Customers” in this section of this prospectus. The sharing of utility distribution networks with our on-site customers can save us the cost of establishing separate water pipeline and power cable networks. Setting up production plants in close proximity to the sites of our customers can also save delivery costs for customers as pipeline delivery is much cheaper than road tanker delivery in terms of large volume of constant gas supply. While our pipeline industrial gas customers contributed significantly to our revenue during the Track Record Period, our industrial gas products were essential as key raw materials for their iron and steel production and our pipeline industrial gas customers were incentivised to provide us with stable and reliable utility supply. During the Track Record Period, we procured COG from Tangshan Meijin, one of our five largest suppliers, for our LNG-related business operation. During the same periods, we primarily sold liquefied nitrogen to Tangshan Meijin. For more information regarding our revenue generated from our overlapping suppliers and customers, purchases from them and our gross profit thereunder, please refer to the section headed “Financial Information — Key factors affecting our results of operation — Our ability to maintain our business relationship with members of the HBIS Group” in this prospectus.

Marketing

Given that our business model is mainly based on the utility purchase contracts and industrial gas supply contracts which are mostly long-term with members of the HBIS Group, we did not incur significant marketing expenses during the Track Record Period. Our marketing efforts are focused on seeking potential opportunities in expanding our customer base for our supply of liquefied industrial gas, particularly those independent customers. To this end, our marketing team actively reach out to potential customers for cooperation opportunities. It normally takes us three to six months to successfully establish any new customer relationship.

BUSINESS

Logistics and Transportation

Pipeline industrial gas is delivered through pipelines to our on-site customers directly. We generally use liquid tanks to store the produced liquefied industrial gas before we deliver to our independent customers. For more information, please refer to the paragraphs headed “— Our business — Customers — Liquefied industrial gas customers” in this section of this prospectus.

Customer Service

We are committed to providing customer service of the highest quality, as we believe it to be the key to strengthening customer relationship, and ultimately to our success. Our on-site services include giving suggestions and providing solutions to our on-site customers on their operation, in order to increase the efficiency of their gas consumption. Where our on-site customers encounter technical difficulties, we are generally able to assist them to evaluate the situation and then formulate appropriate solutions. We apply our “zero release” solutions to our on-site customers which are able to effectively reduce the release of unutilised gas in the manufacture process of their iron and steel plants and thus minimise the industrial gas consumption for our on-site customers. Our management team also regularly attend the weekly production meeting of our on-site customers to obtain their production plan and calculate the volume of pipeline gas required for the coming week. Based on the estimated gas consumption, we will adjust our gas supply and liquefied gas reserve to accommodate our on-site customers’ needs.

QUALITY CONTROL

We are committed to achieving a high standard of quality in the provision of products and services to our customers. We have designated quality control technicians in each of our production plants responsible for monitoring the quality of our products through our quality control systems. In addition, we control the quality of our industrial gas products through the use of technological equipment and advanced online analysis systems which can analyse, detect and report any quality defects, such as purity and pressure level issues, in order to ensure our gas supplies comply with national standards and meet customers’ requirements. We believe we have established a reputation for product quality and reliability.

SEASONALITY

Our Directors confirm that we had not experienced any significant seasonality for our business operation during the Track Record Period.

BUSINESS

AWARDS, RECOGNITION AND CERTIFICATION

We have received various awards and recognition from government authorities or other organisations in relation to our business, which reflect the trust and confidence we have achieved in the industry.

The table below sets out key awards, recognition and certification that we have received as at the Latest Practicable Date.

Recipient	Time of Grant	Award/Recognition	Awarding Authority
Luanxian Tangsteel Gases	December 2018	High and New Technology Enterprise Certificate (高新技術企業)	Hebei Department of Science and Technology (河北省科學技術廳); Hebei Department of Finance (河北省財政廳); Hebei State Administration of Taxation (河北省國家稅務局)
TTG	October 2017	Rising Star in Technology (科技小巨人)	Hebei Department of Science and Technology (河北省科學技術廳)
	April 2017	Hebei Provincial SME in Technology (河北省科技型中小企業)	Hebei Department of Science and Technology (河北省科學技術廳)
	December 2016	Quality Management System Certificate (質量管理體系認證證書); Environment Management System Certificate (環境管理體系認證證書); Occupational Health and Safety Management System Certificate (職業健康安全管理體系認證證書)	Beijing Grand Honour Certification Co., Ltd. (北京國金衡信認證有限公司)
	September 2019	High and New Technology Enterprise Certificate (高新技術企業)	Hebei Department of Science and Technology (河北省科學技術廳); Hebei Department of Finance (河北省財政廳); State Taxation Administration, Hebei Provincial Tax Service (國家稅務總局河北省稅務局)
	July 2016	Hebei Metallurgical Science and Technology Award (河北冶金科學技術獎)	Metallurgy Society of Hebei Province (河北省冶金學會)
	August 2013	Metallurgical Science and Technology Award (冶金科學技術獎)	China Iron and Steel Association (中國鋼鐵工業協會); The Chinese Society for Metals (中國金屬學會)

BUSINESS

RESEARCH AND DEVELOPMENT

We emphasise on technological know-how required for our production in order to strengthen further our leading position and enhance our competitiveness. Our research efforts focus on the development of engineering solutions to improve our production processes. We have a dedicated research and development team consisting of 20 engineers with extensive industry experience in the construction and operation of industrial gas production facilities. Our research and development team is based in our TTG headquarters.

One of the key research and development achievements is a joint research project with Beijing University of Science and Technology on the improvement and innovation of oxygen supply system for iron and steel companies. This research project has developed a number of technical solutions, which are known as “zero release” to reduce the release of unutilised gas in the production process of iron and steel plant and thus minimise the industrial gas consumption for our on-site customers. It has been awarded various prizes including the first prize of Tangshan Science and Technology Progress Award (唐山市科技進步一等獎), the third prize of Hebei Province Science and Technology Award (河北省科學技術獎三等獎) and the first prize of Metallurgical Science and Technology Award (冶金科學技術獎一等獎). We have the right to use the proprietary information derived from such joint research project. We expect that we will further enhance our competitiveness by our research and development capabilities, allowing us to maintain a leading position in the industry.

In recognition of our research and development achievements, TTG and Luanxian Tangsteel Gases, which are our subsidiaries, were approved as High and New Technology Enterprises in the PRC in 2016 and 2018, respectively. Accordingly, TTG and Luanxian Tangsteel Gases enjoyed a preferential enterprise income tax rate of 15% from 2016 to 2018 and from 2018 to 2020, respectively. On 10 September 2019, TTG received a renewed certificate of High and New Technology Enterprise and thus the 15% preferential enterprise income tax rate would continue to apply to TTG for another three years from 2019.

Our research and development expenses were RMB21.8 million, RMB31.6 million, RMB50.8 million and RMB24.7 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, representing 2.1%, 2.8%, 3.9% and 4.1% of our total revenue for the same periods, respectively. None of our research and development expenses were capitalised during the Track Record Period. We intend to continue to focus our engineering and design efforts on the development and implementation of more advanced, reliable and lower cost production processes and technologies.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, TTG had 52 utility patents and 11 software copyrights in the PRC in respect of the industrial gas production process. We also had four trademarks registered in the PRC and had registered five domain names as at the Latest Practicable Date. For more details of our intellectual properties, please refer to the section headed “Statutory and General Information — B. Further information about our business — 2. Our intellectual property rights” in Appendix IV to this prospectus.

BUSINESS

We take a proactive approach and seek to maintain proper registration of our intellectual property rights. We also rely on trade secrets protection and contractual restrictions to safeguard our intellectual property rights. For instance, we enter into confidentiality agreements with certain of our senior management and other employees to protect such trade secrets relating to our know-how. We closely monitor and collect information on any instances of infringement on our intellectual property rights, and we take legal action where necessary and cooperate with local authorities to enforce our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of intellectual property rights of others or infringement of our intellectual property rights by others that would have a material adverse impact on our business and we were not involved in any proceedings involving infringement of intellectual property rights. For further information, please refer to the section headed “Risk Factors — Risks relating to our business and our industry — Failure to protect or enforce our intellectual property rights could harm our business and operating results” in this prospectus.

COMPETITION

We were the second largest supplier of industrial gas in the Jing-Jin-Ji Region in terms of revenue in 2019 according to the Frost & Sullivan Report. The Jing-Jin-Ji Region comprises Beijing, Tianjin and Hebei province and is the largest urbanised megalopolis region in North China. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. The industrial gas industry in China is relatively fragmented. According to the Frost & Sullivan Report, there are around 8,000 industrial gas suppliers in China in 2019, including self-supply and independent suppliers. The top five players accounted for approximately 29.3% of the total revenue of industrial gas suppliers in 2019. We distinguish ourselves from our competitors through our market leading position, strategic relationship with members of the HBIS Group, efficient, established and proven business model, strong government relationship and highly skilled personnel. We believe that we will continue to leverage these strengths which set us apart from our competitors.

The LNG industry in China is relatively concentrated with the three largest national state-owned enterprises, which are China National Petroleum Corporation, Sinopec and China National Offshore Oil Corporation, accounting for around 50% of the market. Driven by growing domestic consumption of LNG, more and more regional independent companies are entering the LNG industry. According to Frost & Sullivan, there are around 200 market players in China’s LNG industry. The top five LNG companies in China possess over 60% of the market share in terms of LNG sales value in 2019. The market share of our Group is estimated to be around 0.01% in the overall LNG industry in China. There are around 30 LNG suppliers in the Jing-Jin-Ji Region’s LNG industry. In 2019, the market size of the Jing-Jin-Ji Region’s LNG industry was RMB13.8 billion and constituted 8.3% of the total market size of China’s LNG industry. The market share of our Group is estimated to be around 0.1% in the overall LNG industry in the Jing-Jin-Ji Region.

BUSINESS

HEALTH AND SAFETY

Health and safety is one of our focuses. We have taken measures to comply with the applicable laws and regulations relevant to health and safety. We are subject to various PRC laws and regulations regarding labour, safety and work related incidents, such as the Law of Prevention and Control of Occupational Diseases, the Fire Control Law of the PRC, the Regulations on Safety Management of Hazardous Chemicals, the Law of the PRC on Work Safety, the Regulations on Safe Work Permits, the Administrative Measures for Hazardous Chemicals Business License, the Administrative Measures for the Registration of Hazardous Chemicals. For more information, please refer to the section headed “Regulatory Overview” in this prospectus. We are committed to maintaining a safe working environment and promoting awareness of occupational health and safety.

We have designated personnel for our industrial gas production plants who are responsible for supervising our labour, hygiene and safety conditions. In addition, we provide induction and regular safety education programs to our employees through distribution of safety instruction manuals, training seminars and regular safety knowledge and response testing. As our personnel control and monitor the daily operation of our production facilities from computerised operation control rooms, our exposure to health and safety risks is minimal. Our Directors confirm that we had complied with all relevant safety and health regulations in all material respects and had not been subject to fines or penalties during the Track Record Period and up to the Latest Practicable Date.

Our industrial gas products and LNG are considered hazardous chemicals. Except for the failure to obtain the pollutant discharge permit, the production safety license and the production license of industrial products of Luanxian Tangsteel Gases, as disclosed in the paragraphs headed “—Regulatory compliance” in this section of this prospectus, we have obtained all material licenses and permits for the production of hazardous chemicals under PRC law and regulations. For details, please refer to the paragraphs headed “—Licenses, permits and approvals” in this section of this prospectus. In addition, we have implemented internal safety policy to strengthen the safety management of hazardous chemicals and to prevent or reduce hazardous chemicals accidents. Our safety policy also provides guidance to our staff in maintaining a safe working environment and preventing or minimising community exposure to hazardous materials. TTG has established a safety management committee consisting of representatives from the management and staff. Our safety management committee ensures that safety training is carried out by each of our production sites, accidents are reported and accident prevention procedures are carried out. Our Group has also maintained fire prevention facilities and conducted fire drill on a regular basis. Production staff are provided with regular trainings on the operations of the equipment and occupational safety gear. We have also adopted environmental accident handling policy to minimise damage and improve our reaction time in handling accidents.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all material applicable PRC laws and regulations in relation to employee health and safety. During the Track Record Period and up to the Latest Practicable Date, we had not had any incidents, claims or complaints which had materially and adversely affected our operations.

BUSINESS

ENVIRONMENTAL PROTECTION

As our industrial gas production process essentially involves the separation of air into its constituent components such as oxygen, nitrogen and argon, we understand industrial gas production is generally not regarded as a polluting industry and we do not produce any air pollution during our production process except for minimal gas emissions. The environmental issues arising in our industrial gas production process mainly consist of cooling water and domestic wastewater discharge and noise reduction. During our industrial gas production process, we require water for cooling process and in order to achieve an effective and better cooling effect, we add chemicals into our cooling water, which is an industry-wide practice. We recycle our cooling water for continuous use with a small volume of cooling water discharged periodically in order to maintain chemical concentration at an optimal level. Our domestic wastewater is disposed of through the drainage system of our on-site customer. In addition, we emit noise as part of our production process. Main sources of noise are the operation of our ASUs and ancillary facilities. We are usually subject to the requirements of our on-site customers or the relevant laws applicable to where our production facility is located in relation to the maximum level of noise we are allowed to emit. Our LNG business operations also discharge cooling water and industrial wastewater during the production process and we have engaged a professional water treatment company to provide wastewater treatment services. We closely monitor our environmental issues and we carry out regular internal inspections.

We generally incur service charges in relation to our wastewater treatment and discharge and one-off payment for procurement of the noise reduction and absorption materials at the time of constructing our new production facilities. The level of costs we incur varies depending on factors such as the location of our production facility, local applicable laws and the level of our wastewater discharge. We incurred environmental compliance costs which mainly comprised of waste water treatment and waste oil disposal of approximately RMB0.08 million, RMB0.07 million, RMB0.5 million and RMB0.02 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. We expect that our annual environmental compliance costs will be minimal going forward.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notifications or warnings, nor had we been subject to any substantial fines or penalties in relation to any breach of any such environmental laws or regulations which had materially and adversely affected our production and operations.

LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisers, save as the non-compliances of Luanxian Tangsteel Gases and Zhongqi Investment disclosed in the paragraphs headed “— Regulatory compliance” in this section of this prospectus, we had obtained all licenses, permits and certificates which were material for our Group’s business operation from the appropriate and competent authorities as required under the laws, rules and regulations of the PRC to operate our business in relation to production, storage, sales of various gas products. Such licenses, permits and certificates were valid and remained in effect as at the Latest Practicable Date.

BUSINESS

The following table sets out details of our licenses, permits and certificates material to our operations.

Recipient	License/Permit/Certificate	Granting Authority	Date of Issuance	Expiry Date
TTG	Production Safety License (安全生產許可證)	Hebei Administration of Work Safety (河北省安全生產監督管理局)	16 May 2017	24 May 2020 ⁽¹⁾
	National Production License for Industrial Products (全國工業產品生產許可證)	Hebei Administration of Quality and Technical Supervision (河北省質量技術監督局)	26 October 2017	25 October 2022
	Operating License for Marketing Hazardous Chemicals (危險化學品經營許可證)	Tangshan Lubei District Administration of Work Safety (唐山市路北區安全生產監督管理局)	2 March 2020	1 March 2023
	Pharmaceutical Products Production License (藥品生產許可證)	Hebei Food and Drug Administration (河北省食品藥品監督管理局)	28 August 2017	27 August 2022
	PRC Certificate of Good Manufacturing Practice for Pharmaceutical Products (藥品生產GMP證書)	Hebei Food and Drug Administration (河北省食品藥品監督管理局)	15 February 2015	14 February 2020 ⁽²⁾
	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration Office (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of the Ministry of Emergency Management (應急管理部化學品登記中心)	19 April 2019	18 April 2022
	Food Production License (食品生產許可證) ⁽³⁾	Hebei Food and Drug Administration (河北省食品藥品監督管理局)	22 June 2016	21 June 2021
	Registration of Customs Declaration Entities (海關報關單位註冊登記證書)	China Customs Tangshan (中華人民共和國唐山海關)	4 November 2014	—

BUSINESS

Recipient	License/Permit/Certificate	Granting Authority	Date of Issuance	Expiry Date
	Record-keeping Registration Form for Major Hazard Installations of Hebei Province (河北省重大危險源備案登記表)	Tangshan Lubei District Emergency Management Bureau (唐山市路北區应急管理局)	8 October 2019	7 October 2022
	Letter of Approval for Drug Re-Registration (藥品再註冊批件)	Hebei Food and Drug Administration (河北省食品藥品監督管理局)	1 February 2019	31 January 2024
	Record-Keeping Registration Form for Emergency Preplans of Work safety Accidents of Production and Operation Units (生產經營單位生產安全事故應急預案備案登記表)	Tangshan Administration of Work Safety (唐山市安全生產監督管理局)	13 August 2018	—
	Filling License for Transportable Pressure Vessel (移動式壓力容器充裝許可證)	Hebei Administration for Market Regulation (河北省市場監督管理局), Tangshan Administrative Examination and Approval Bureau (唐山市行政審批局)	20 December 2019	19 December 2023
TTG Ironmaking Branch	Production Safety License (安全生產許可證)	Hebei Administration of Work Safety (河北省安全生產監督管理局)	16 May 2017	24 May 2020 ⁽¹⁾
	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of the Ministry of Emergency Management (應急管理部化學品登記中心)	4 March 2019	3 March 2022
	Record-keeping Registration Form for Major Hazard Installations of Hebei Province (河北省重大危險源備案登記表)	Tangshan Kaiping District Emergency Management Bureau (唐山市開平區应急管理局)	8 October 2019	7 October 2022

BUSINESS

Recipient	License/Permit/Certificate	Granting Authority	Date of Issuance	Expiry Date
	Record-Keeping Registration Form for Emergency Preplans of Work safety Accidents of Production and Operation Units (生產經營單位生產安全事故應急預案備案登記表)	Tangshan Administration of Work Safety (唐山市安全生產監督管理局)	13 August 2018	—
TTG Stainless Steel Branch	Production Safety License (安全生產許可證)	Hebei Administration of Work Safety (河北省安全生產監督管理局)	16 May 2017	24 May 2020 ⁽¹⁾
	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of State Administration of Work Safety (國家安全生產監督管理總局化學品登記中心)	27 July 2018	26 July 2021
	Record-keeping Registration Form for Major Hazard Installations of Hebei Province (河北省重大危險源備案登記表)	Tangshan Guye District Emergency Management Bureau (唐山市古冶區应急管理局)	19 September 2019	18 September 2022
	Record-Keeping Registration Form for Emergency Preplans of Work safety Accidents of Production and Operation Units (生產經營單位生產安全事故應急預案備案登記表)	Tangshan Guye District Administration of Work Safety (唐山市古冶區安全生產監督管理局)	7 June 2018	—
TTG Laoting Branch	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of State Administration of Work Safety (國家安全生產監督管理總局化學品登記中心)	26 June 2018	25 June 2021

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Recipient	License/Permit/Certificate	Granting Authority	Date of Issuance	Expiry Date
	Record-keeping Registration Form for Major Hazard Installations of Hebei Province (河北省重大危險源備案登記表)	Laoting Emergency Management Bureau (樂亭縣應急管理局)	9 May 2019	8 May 2022
	Record-Keeping Registration Form for Emergency Preplans of Work safety Accidents of Production and Operation Units (生產經營單位生產安全事故應急預案備案登記表)	Laoting Administration of Work Safety (樂亭縣安全生產監督管理局)	17 January 2019	—
TTG Yutian Branch	Production Safety License (安全生產許可證)	Hebei Administration of Work Safety (河北省安全生產監督管理局)	2 June 2017	3 June 2020 ⁽¹⁾
	National Production Licenses for Industrial Products (全國工業產品生產許可證)	Hebei Administration of Quality and Technical Supervision (河北省質量技術監督局)	18 December 2019	16 April 2025
	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of State Administration of Work Safety (國家安全生產監督管理總局化學品登記中心)	3 March 2020	2 March 2023
	Food Production License (食品生產許可證) ⁽³⁾	Hebei Food and Drug Administration (河北省食品藥品監督管理局)	22 April 2016	21 April 2021
	Record-Keeping Registration Form for Emergency Preplans of Safety Production (安全生產應急預案備案登記表)	Tangshan Administration of Work Safety (唐山市安全生產監督管理局)	6 December 2016	—

BUSINESS

Recipient	License/Permit/Certificate	Granting Authority	Date of Issuance	Expiry Date
	Filling License for Transportable Pressure Vessel (移動式壓力容器充裝許可證)	Hebei Administration for Market Regulation (河北省市場監督管理局), Tangshan Administrative Examination and Approval Bureau (唐山市行政審批局)	20 December 2019	19 December 2023
Luanxian Tangsteel Gases	Hazardous Chemical Registration Certificate (危險化學品登記證)	Hebei Hazardous Chemical Registration (河北省危險化學品登記註冊辦公室), Chemical Registration Centre of State Administration of Work Safety (國家安全生產監督管理總局化學品登記中心)	30 October 2017	29 October 2020 ⁽⁴⁾
	Record-keeping Registration Form for Major Hazard Installations of Hebei Province (河北省重大危險源備案登記表)	Tangshan Emergency Management Bureau (唐山市應急管理局)	25 July 2019	24 July 2022
	Record-Keeping Registration Form for Emergency Preplans of Work Safety Accidents of Production and Operation Units (生產經營單位生產安全事故應急預案備案登記表)	Luanzhou Emergency Management Bureau (灤州市應急管理局)	19 March 2019	—
Tangsteel Dongxin Village	Operating License for Marketing Gas (燃氣經營許可證)	Tangshan Bureau of Housing and Urban-Rural Development (唐山市住房和城鄉建設局)	7 March 2016	31 December 2021
	Gas Cylinders Charging License (氣瓶充裝許可證)	Tangshan Administrative Examination and Approval Bureau (唐山市行政審批局), Hebei Administration for Market Regulation (河北省市場監督管理局)	24 April 2019	23 April 2023

BUSINESS

Notes:

- (1) As advised by our PRC Legal Advisers, we are required to submit renewal applications for Production Safety Licenses (安全生產許可證) within three months prior to the relevant expiry date. According to Overall Advancement of Safety Precaution and Resumption of Work and Production Measures (《統籌推進安全防範和復工復產措施》) which was issued by the General Office of Ministry of Emergency Management (應急管理部辦公廳) on 26 February 2020 and was effective as at the Latest Practicable Date, the Production Safety Licenses (安全生產許可證) (even if they are due to expire soon) shall in any event deemed to remain valid until the end of epidemic prevention and control of COVID-19. As at the Latest Practicable Date, the end of the COVID-19 pandemic had not yet been declared in China.
- (2) According to the Drug Control Law of the PRC (《中華人民共和國藥品管理法》), which was newly amended on 26 August 2019 and came into effect on 21 December 2019 and the Announcement on Matters Relating to Implementation of the Drug Administration Law of the PRC (《關於貫徹實施《中華人民共和國藥品管理法》有關事項的公告》), we are no longer required to renew the PRC Certificate of Good Manufacturing Practice for Pharmaceutical Products (藥品生產GMP證書) for our related drug production activities.
- (3) Our high purity liquefied carbon dioxide products are supplied to food manufacturers and used as food additives.
- (4) As at the Latest Practicable Date, we had submitted the renewal application for Hazardous Chemical Registration Certificate (危險化學品登記證) to the competent authority. As advised by our PRC Legal Advisers, there is no legal impediment for Luanxian Tangsteel Gases' renewing the Hazardous Chemical Registration Certificate based on the authority's preliminary review of the renewal application. Our Directors confirm that in the unlikely event that the Hazardous Chemical Registration Certificate cannot be renewed by the expiry of the existing valid certificate, we will not engage in any business activities that are dependent on such certificate.

EMPLOYEES

As at 30 June 2020, our Group had a total of 384 full-time employees and 16 dispatched staff. The majority of our employees have attended technical schools or obtained higher education qualifications. The employment contracts generally specify the employees' responsibilities, remuneration and grounds for termination. We had not experienced any material labour shortages during the Track Record Period and up to the Latest Practicable Date.

As at 30 June 2020, our total number of employees by function was as follows.

Functions	Number of employees	% of total employees
Senior management	23	6.0%
Finance	5	1.3%
Technical support	38	9.9%
Safety control	3	0.8%
Production	215	56.0%
Customer service	9	2.3%
Maintenance and inspection	69	18.0%
Sales and marketing	22	5.7%
Total	384	100.0%

BUSINESS

During the Track Record Period, we sourced candidates of employees mainly through campus recruitment. Our screening and selection processes primarily include review and screening of resumes and face-to-face interviews. Our review and screening of candidate resumes considers a variety of factors, such as an applicant's age, education credentials, work experience, professional qualifications, personality and potential. Compensation for our full-time staff members typically consists of base salary, position based salary and other allowances such as year of service salary and other subsidies.

During the Track Record Period and up to the Latest Practicable Date, we entered into labour dispatch agreements with two labour service providers. The dispatched workers were deployed in our production and sales positions. Our Directors consider that the labour dispatch agreements enabled us to maintain a sufficient while flexible level of labour force to meet our operation requirements. Under the labour dispatch agreements, we are responsible for paying service fees to the labour service providers while the labour service providers pay the social insurance fund for the workers in accordance with relevant PRC laws and regulations. As advised by our PRC Legal Advisers, the labour dispatch agreements with the labour service providers were in compliance with the applicable PRC laws and regulations in all material respects during the Track Record Period.

We currently provide employees with a pension insurance program, medical insurance program, unemployment insurance program, individual work injury program, maternity insurance contributions and employee public housing reserve contributions and other welfare benefit. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the total amount of our social welfare contribution was approximately RMB11.8 million, RMB12.3 million, RMB11.8 million and RMB2.9 million, respectively.

As at the Latest Practicable Date, our Directors confirm that we had complied with all applicable national and local laws and regulations relating to social welfare in all material respects. We had paid in full the social security premiums and contributions payable as required by PRC laws and regulations and had not been subject to penalties for any violation of these laws as at the Latest Practicable Date.

We incurred total employees benefits expenses (including wages, salaries and other benefits) of approximately RMB44.1 million, RMB46.3 million, RMB46.7 million and RMB20.6 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively, representing 4.9%, 4.7%, 4.2% and 4.1%, respectively, of our total expenses (including cost of revenues, selling and marketing expenses, administrative expenses, research and development expenses) for the same periods.

We have a workers' union in accordance with PRC laws and regulations. We have not had any strikes or other labour disturbances that have materially interfered with our operations, and we believe that we have maintained a good working relationship with our staff members.

We place high emphasis on the training and development of our staff. We invest in continuing education and training programs for our management and other staff members to update their skills and knowledge periodically. We provide training for our staff members with respect to our operation, technical knowledge and work safety standards and environmental protection.

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labour dispute with our employees, or received any relevant complaints, notice or orders from relevant government authorities or third parties, nor did we experience any labour strikes or other labour disturbances that had materially affected our business operations and public image. We believe that our senior management and employees will continue to maintain good relationships with each other.

OUR PROPERTIES

As at the Latest Practicable Date, all of the properties we used were located in Tangshan, Hebei Province, including (i) three parcels of land with land use right certificates with site area of approximately 195,973 sq.m.; (ii) five parcels of leased land with an aggregate site area of approximately 118,302 sq.m.; and (iii) leased buildings and structures situated on the three parcels of leased land. We also occupied a parcel of land with an aggregate site area of approximately 6,093 sq.m. as at the Latest Practicable Date.

As at 30 June 2020, we had no single property with a carrying amount of 15% or more of our total assets, and we are therefore not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Our Land with Land Use Right Certificates and other Occupied Land pending the Land Use Right Certificates to be Obtained

Our Land Use Rights Obtained

As at the Latest Practicable Date, we had obtained the immovable property rights of three parcels of land with an aggregate site area of approximately 195,973 sq.m. in the PRC, which were mainly used for part of the production facilities at the Yutian plant, the entire Luanxian plant and the entire Zhongqi Investment plant which was under development. Our PRC Legal Advisers confirm that we have the right to independently occupy and use such parcels of land.

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A summary of our land use rights as at the Latest Practicable Date is set out below.

No.	Location	Land use right holder	Function	Approximate site area (sq.m.)
1	West to Yantai Road and east to Haidang, Hebei Province Laoting Economic Development Zone ⁽¹⁾	Zhongqi Investment	Production facilities at the Zhongqi Investment plant ⁽²⁾	127,974
2	Houhu Industrial Park, Yutian County, Qianyang Zhuang, Linxi County, Tangshan, Hebei Province ⁽¹⁾	TTG Yutian Branch	Production facilities at the Yutian plant ⁽³⁾	4,000
3	Luanxian Industrial Cluster, Tang Shan, Hebei Province ⁽¹⁾	Luanxian Tangsteel Gases	Production facilities at the Luanxian plant ⁽⁴⁾	63,999

Notes:

- (1) As at the Latest Practicable Date, we had not obtained certain permits for the buildings and structures we constructed thereon. For further details, please refer to the paragraphs headed “— Our properties — Properties with defective titles — I. Absence of the land use right certificate to be obtained for our other occupied land as well as title defects relating to the buildings and structures we constructed on our land with land use right certificates and our other occupied land with the land use right certificates to be obtained” in this section of this prospectus.
- (2) As at the Latest Practicable Date, the Zhongqi Investment plant was under development and its Phase I was expected to complete by the first quarter of 2021. For more information, please refer to the paragraph headed “— Our Business — Our production facilities — Production plant under development” in this section of this prospectus.
- (3) The Yutian plant is our carbon dioxide production plant in operation. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from Yutian plant was approximately RMB3.5 million, RMB6.5 million, RMB11.9 million and RMB7.9 million, representing approximately 0.3%, 0.6%, 0.9% and 1.3% of our total revenue, respectively. During the same periods, the Yutian plant recorded a gross loss of approximately RMB0.1 million, a gross profit of RMB0.8 million, a gross profit of RMB2.6 million and a gross profit of RMB3.0 million, respectively. For more information of the revenue breakdown by production plants in operation, please refer to the breakdown in the paragraph headed “— Our Business — Our production facilities” in this section of this prospectus.
- (4) The Luanxian plant is our the production plant in operation for our LNG-related business. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, revenue generated from Luanxian plant was approximately RMB102.1 million, RMB128.7 million, RMB109.2 million and RMB39.7 million, representing approximately 9.9%, 11.2%, 8.4% and 6.6% of our total revenue, respectively. For the year ended 31 December 2017, the Luanxian plant recorded a gross loss of approximately RMB29.2 million. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the Luanxian plant recorded a gross profit of approximately RMB0.2 million, RMB5.2 million and RMB0.05 million, respectively. For more information of the revenue breakdown by production plants in operation, please refer to the breakdown in the paragraph headed “— Our Business — Our production facilities” in this section of this prospectus.

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Other Occupied Land pending the Land Use Right Certificate to be Obtained

As at the Latest Practicable Date, we occupied an additional parcel of land with an aggregate site area of approximately 6,093 sq.m. in the PRC, which was used for part of the production facilities at the Yutian plant. As at the Latest Practicable Date, the land use right certificate for this parcel of occupied land was pending to be obtained.

A summary of such other occupied land with the land use right certificate pending to be obtained as at the Latest Practicable Date is set out below.

No.	Location	Operating Subsidiary	Function	Approximate site area (sq.m.)
1	Houhu Industrial Park, Yutian County, Qianyang Zhuang, Linxi County, Tangshan, Hebei Province	TTG Yutian Branch	Production facilities at the Yutian plant ⁽¹⁾	6,093

Note:

- (1) For revenue contribution and gross profit/(loss) generated from the Yutian plant, please refer to the note in the paragraph headed “— Our Business — Our properties — Our land with land use right certificates and other occupied land pending the land use right certificates to be obtained — Our land use rights obtained” above.

Leased Properties

Leased Land

As at the Latest Practicable Date, our leased land, buildings and structures are for industrial and office uses. Our PRC Legal Advisers confirm that the relevant lease agreements do not violate the mandatory provisions of the relevant PRC laws, regulations and rules.

A summary of our leased land as at the Latest Practicable Date is set out below.

No.	Location	Lessor	Lessee	Lease period / Duration	Function	Approximate site area (sq.m.)
1	Binhe Road East, Lubei District, Tangshan, Hebei Province ⁽¹⁾	HBIS Tangsteel ⁽²⁾	TTG	From March 2007 to March 2027 / 20 years (unconditional renewal upon our request)	Production facilities at the TTG headquarters plant	57,903
2	Zhengzhuangzi Village, Kaiping District, Tangshan, Hebei Province ⁽¹⁾	HBIS Tangsteel ⁽²⁾	TTG	From March 2007 to March 2027 / 20 years (unconditional renewal upon our request)	Production facilities at the TTG Ironmaking Branch plant	12,740

BUSINESS

No.	Location	Lessor	Lessee	Lease period / Duration	Function	Approximate site area (sq.m.)
3	Tangjiazhuang, Guye District, Tangshan, Hebei Province ⁽¹⁾	Independent Third Party	TTG	From April 2007 to March 2027 / 20 years	Production facilities at the TTG Stainless Steel Branch plant	15,333
4	Sunzhuang Village South, Wangtan County, Tangshan, Hebei Province ⁽¹⁾	Tangshan Plate	TTG	From September 2018 to September 2021 / three years	Production facilities at the TTG Laoting Branch plant	29,253
5	Dongxin Village, Lubei District, Tangshan, Hebei Province ⁽¹⁾	HBIS Tangsteel	Tangsteel Dongxin Village	From August 2019 to August 2039/20 years	CNG and LNG gas station	3,073

Notes:

- (1) As at the Latest Practicable Date, we did not complete the land lease registrations and obtain certificates of other rights over land (土地他項權利證明書) to be issued after completion of such registrations for our lease of the five parcels of land. In addition, we constructed certain buildings and structures on the leased land and as we were not the land owner, we were unable to obtain construction work planning permit (建設工程規劃許可證) and construction work commencement permits (建築工程施工許可證) for these buildings and structures. To date, we have not completed the relevant completion and acceptance filing procedures. For further details, please refer to the paragraphs headed “— Our properties — Properties with defective titles — II. Title defects relating to our leased land and the buildings and structures we constructed on such leased land” in this section of this prospectus.
- (2) HBIS Company entered into the lease agreement with us for and on behalf of HBIS Tangsteel.

BUSINESS

Leased Buildings and Structures

A summary of our leased buildings and structures as at the Latest Practicable Date is set out below.

No.	Location	Lessor	Lessee	Lease period / Duration	Function	Major buildings and structures
1	Binhe Road East, Lubei District, Tangshan, Hebei Province ⁽¹⁾	HBIS Company	TTG	From January 2019 to December 2021/ three years	Office and industrial buildings at the TTG headquarters plant which are used for administrative and production purposes	Buildings, air separate plant base, cooling tower, spherical tank base, pipeline and gutter
2	Zhengzhuangzi Village, Kaiping District, Tangshan, Hebei Province ⁽¹⁾	HBIS Company	TTG	From January 2019 to December 2021/ three years	Office and industrial buildings at the TTG Ironmaking Branch plant which are used for administrative and production purposes	Buildings, air separate plant base, cooling tower, spherical tank base, pipeline and gutter
3	Tangjiazhuang, Guye District, Tangshan, Hebei Province ⁽¹⁾	Independent Third Party	TTG	From May 2020 to April 2021/ one year	Office building for TTG Stainless Steel Branch which is used for administrative purpose	Office building

Notes:

- (1) As at the Latest Practicable Date, we had not completed house leasing registrations with respect to the buildings. For further details, please refer to the paragraphs headed “ — Our properties — Properties with defective titles — III. Title defects relating to our leased buildings and structures” in this section of this prospectus.

Properties with Defective Titles

The table below summarizes our properties with defective titles (including among others expected timetables for rectifications based on our best estimates) as at the Latest Practicable Date. As certain remedial actions are expected to be completed after Listing, the updated status of any outstanding certificates, permits and registrations concerning us and our lessors will be disclosed in the annual reports of the Company on an on-going basis until the Group's complete rectification of such title defects has been fully disclosed therein.

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
I. Absence of the land use right certificate to be obtained with the land use right certificates to be obtained					
TTG Yutian Branch/production facilities at the Yutian plant	As at the Latest Practicable Date, TTG Yutian Branch occupied a parcel of land in Houhui Industrial Park, Yutian County, Tangshan with a site area of 15.14 mu (approximately 10,093 sq.m.), of which TTG Yutian Branch had not obtained the land use right certificate for an area of 9.14 mu (approximately 6,093 sq.m.) (the "Yutian Land"). TTG Yutian Branch commenced construction of production facilities on the Yutian Land prior to obtaining the land use rights for the entire parcel of land.	The failure to timely obtain the land use right certificate mainly resulted from the pending status of the local government's bid invitation, auction and listing procedures for the Yutian Land despite the fact that the planned usage of the Yutian Land was agreed by Yutian county government before the commencement of the construction of the Yutian plant in 2013.	As advised by our PRC Legal Advisers, our right as owner or occupant of these properties may be adversely affected due to the absence of such title certificates, e.g. our rights to transfer or lease the land and buildings and/or subject the land use right and ownership of buildings and structures to mortgage loans.	Our PRC Legal Advisers are of the view that the likelihood of the relevant authority imposing fines on TTG Yutian Branch or require TTG Yutian Branch to return the land or to demolish the buildings and ancillary facilities on such land with defective title is relatively remote on the basis of the meeting minute of Yutian county mayor's office (《玉田縣縣長辦公會議紀要》) (the "Yutian Government Meeting Minute") issued by Yutian county government on 22 November 2019 and its restatement on 31 July 2020. Given that the Yutian Government Meeting Minute has confirmed that we will not be subject to administrative penalties and as advised by our PRC Legal Advisers, such administrative penalties cover among others seizure by the government due to the defective titles. As such, the competent authorities have confirmed that the buildings and structures constructed on the entire parcel of land at the Yutian plant will not be seized by the government due to the defective titles.	All relevant competent authorities attended a meeting, based on which Yutian county government issued the Yutian Government Meeting Minute, confirming that (i) Yutian county government and relevant authorities intended to transfer the land use right to TTG Yutian Branch for the remaining land of 9.14 mu (approximately 6,093 sq.m.), of which land use right certificate had not been obtained; (ii) Yutian county government and relevant authorities would not require TTG Yutian Branch to return the land occupied or impose administrative penalties; (iii) the relevant authorities would assist TTG Yutian Branch to obtain the required permits as soon as the land use right for the entire parcel of land is obtained; (iv) the relevant authorities would not impose administrative penalties on TTG Yutian Branch for the time being; and (v) save as matters discussed in (i) to (iii) above, TTG Yutian Branch was in compliance with the relevant PRC laws, regulations and rules, was not subject to administrative fines, and was not involved in any argument, dispute or complaint with respect to land use, construction land planning, construction work planning and construction work commencement during the period from 1 January 2016 to the dates of the respective meeting minutes.
		TTG Yutian Branch may be required to vacate from the Yutian Land due to the failure to obtain the construction land use planning permit.	TTG Yutian Branch may be ordered to dismantle the relevant properties within a prescribed period of time or subject to confiscation of the relevant properties or the illegal gain, or a maximum fine of RMB256,400, representing 10% of the construction costs of the relevant buildings and structures, due to the failure to obtain the construction work planning permit.		Our Directors confirm that subsequent to 31 July 2020 and up to the Latest Practicable Date, save as the failure to obtain/complete the relevant land use right certificate, the construction land use planning permit (建設用地規劃許可證), and the Construction Permits and Procedures, TTG Yutian Branch remained in compliance with the relevant laws, regulations and rules regarding land use, construction land planning, construction work planning and construction work commencement.
		TTG Yutian Branch may be subject to a maximum fine of RMB50,000 due to the failure to complete the completion and acceptance filing procedures for construction planning within a prescribed period of time; and a maximum fine of RMB51,280, representing 2% of the construction contract price of the relevant buildings and structures, due to the failure to obtain the construction work commencement permit.	TTG Yutian Branch may be subject to a maximum fine of RMB50,000 due to the failure to complete the completion and acceptance filing procedures for construction planning within a prescribed period of time; and a maximum fine of RMB51,280, representing 2% of the construction contract price of the relevant buildings and structures, due to the failure to obtain the construction work commencement permit.		It is estimated that the cost for obtaining the land use right certificate for the Yutian Land is approximately RMB328,000 which includes land grand premium, deed tax and stamp duty. Such total cost for obtaining the land use right certificate of the Yutian Land is only payable after TTG Yutian Branch succeeds in the land bidding.
		TTG Yutian Branch may be subject to a maximum fine of RMB500,000, due to the failure of filing of the completion and acceptance within 15 days after the date of the successful completion acceptance.	TTG Yutian Branch may be subject to a maximum fine of RMB500,000, due to the failure of filing of the completion and acceptance within 15 days after the date of the successful completion acceptance.		

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
	Due to the failure to obtain the relevant land use right certificate, TTG Yutian Branch was unable to obtain the construction land use planning permit (建設用地規劃許可證), certain construction work (建設工程規劃許可證) and the commencement permit (建築工程施工許可證) for the buildings and structures constructed on the relevant parcel of land as at the Latest Practicable Date. TTG Yutian Branch did not submit the requisite completion and acceptance filing materials to the relevant authorities. The construction work planning permit and construction work commencement permit as well as submission of the requisite construction completion and acceptance filing materials to the relevant authorities are collectively referred to as the “ Construction Permits and Procedures ”.		Based on the above the maximum fines that may be imposed on TTG Yutian Branch as a result of the above title defects were approximately RMB1.0 million in total.	As advised by our PRC Legal Advisers, given that the absence of the land use rights certificate for the Yutian Land is caused by the fact that the bid invitation, auction and listing procedures of the Yutian Land are in preparation status and will be initiated by the relevant authorities, the following conditions are required before TTG Yutian Branch can obtain the land use right certificate for the Yutian Land pursuant to the relevant PRC laws and regulations:	We believe that it is highly likely that TTG Yutian Branch will succeed in the land bidding and obtain the land use right certificate of the Yutian Land based on the following (apart from the Yutian Government Meeting Minute): <ul style="list-style-type: none"> the relevant authority is assisting us in obtaining the land use right certificate for the Yutian Land given that Yutian County Natural Resources and Planning Bureau (玉田縣自然資源和規劃局), the competent authority as advised by our PRC Legal Advisers, has specifically confirmed in a written confirmation issued on 24 February 2020 (the “Yutian Land Confirmation”) that (i) the Yutian Land is used for our carbon dioxide project, which is in compliance with the government’s general planning of land use; (ii) the bid invitation, auction and listing procedures for the Yutian Land are under preparation and announcement regarding such procedures will be published in due course; (iii) there is no foreseeable impediment for TTG or its branches to obtain the land use right certificate of the Yutian Land provided that TTG or its branches successfully wins the land bidding and receive the Letter of Transaction Confirmation; and (iv) TTG or its branches is permitted to continue to occupy and use the Yutian Land before the land use right certificate is obtained. The Yutian Land Confirmation indicates that the authority will likely facilitate and assist us in obtaining the land use right certificate despite that we will need to go through the bid invitation, auction and listing procedures which are part of administrative processes; historically and in fact, TTG Yutian Branch has occupied and used the entire parcel of land, i.e. 15.14 mu in total for more than five years and TTG Yutian Branch has obtained the land use right certificate for part of the entire land, i.e. 6 mu; we believe that the relevant authorities are likely to consider favourably our business track record, financial resources, experience and operational capability, which may be the basis on which they set the eligibility of the participants and/or winners in the bid invitation, auction and listing procedures; as advised by our PRC Legal Advisers, there is no legal impediment for TTG Yutian Branch to obtain the land use right certificate of the Yutian Land, as long as TTG Yutian Branch duly obtains the Notification of Award or receives Letter of Transaction Confirmation, signs state-owned land grant contract, pays land grant premium (if outstanding) and obtains the tax certificate for payment of deed tax and stamp duty. <p>Since as early as the preparation stages of the Yutian plant, we have always had a continuous dialogue, and a mutual understanding, with the relevant authorities which knew and permitted our usage of the Yutian Land. Specifically, the Yutian plant was a project supported by Yutian county government and the selection of the Yutian Land as part of the production site of the Yutian plant and the relevant land usage were mutually agreed and confirmed in an investment agreement entered into between Yutian county government and the Group before the commencement of construction of the Yutian plant in 2013. Although the obtaining of the land use right certificate for the Yutian Land is still subject to the bid invitation, auction and listing procedures as part of the administrative procedures, the relevant land usage was consistent with and confirmed again in the Yutian Government Meeting Minute and the Yutian Land Confirmation.</p>

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
				<p>As advised by our PRC Legal Advisers, the bid invitation, auction and listing procedures for land use right certificate application are administrative in nature while the results of these procedures are subject to commercial risks.</p> <p>And that according to the Yutian Land Confirmation, the Yutian Land is a state-owned land permitted to be used for the construction of production plant in accordance with the land use plan formulated by the relevant authorities. There is no legal impediment preventing TTG Yutian Branch from obtaining the land use right certificate of the Yutian Land, as long as TTG Yutian Branch duly obtains the Notification of Award or receives Letter of Transaction Confirmation, signs state-owned land grant contract, pays appropriate land grant premium and obtains the tax certificate for payments of deed tax and stamp duty.</p>	<p>Relying on the Yutian Land Confirmation specifically confirming that we are permitted to continue to occupy and use the Yutian Land before the bid invitation, auction and listing procedures and that the buildings and structures constructed above, we continue such occupancy and use.</p> <p>Even though we will use our best endeavour to obtain all relevant land use right certificates in due course, it is currently not possible to ascertain an expected timeframe for TTG Yutian Branch to obtain the land use right certificate of the Yutian Land. We will use our best endeavour to closely monitor the process and will use our best effort to ensure that such land use right certificate is obtained by September 2021.</p> <p>In July 2020, TTG Yutian Branch obtained the construction work planning permit for the buildings and structures constructed on the parcel of land with the site area of 6 mu (approximately 4,000 sq.m.) for which the land use right certificate has been obtained. TTG Yutian Branch will obtain the construction work planning permit for the remaining parcel of land of the Luanxian plant after the land use right certificate is obtained.</p> <p>It will take approximately six months to obtain/complete the Construction Permits and Procedures following the land use right certificate for the Yutian Land is duly obtained. This timeframe is provided based on our best estimate and our on-going dialogues with the local authorities regarding rectifications of the title defects associated with the Yutian Land.</p>

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
Luanxian Tangsteel Gases/ production facilities at the Luanxian plant	As at the Latest Practicable Date, Luanxian Tangsteel Gases had not obtained/completed the construction land use planning permit (建設用地規劃許可證) and the Construction Permits and Procedures for the buildings and structures constructed on a parcel of land in Luanxian Industrial Cluster with a site area of 95 mu (approximately 63,999 sq.m.) (the “ Luanxian Land ”) due to its delay in obtaining the land use right certificate for the Luanxian Land.	The failure to timely obtain the land use right certificate resulted from the local government’s then pending status of the bid invitation, auction and listing procedures for the Luanxian Land, despite the fact that the planned usage of the Luanxian Land had been duly reported to and reviewed by the Luanxian Bureau of State Land and Resources (漢縣國土資源局) and Luanxian Bureau of Urban and Rural Planning (漢縣城鄉規劃局) before the commencement of construction of the Luanxian plant in 2012. Luanxian Tangsteel Gases obtained the land use right certificate for the Luanxian Land in July 2020.	As advised by our PRC Legal Advisers, our right as occupant of these properties may be adversely affected due to the absence of such title certificates, e.g. our rights to transfer or lease buildings and/or subject ownership of buildings and structures to mortgage loans. Luanxian Tangsteel Gases may be required to return the Luanxian Land due to the failure to obtain the construction land use planning permit. Luanxian Tangsteel Gases may be ordered to dismantle the relevant properties within a prescribed period of time and subject to a maximum fine of RMB2.1 million, representing 10% of the construction costs of the relevant buildings and structures, due to the failure to obtain the construction work planning permit. Luanxian Tangsteel Gases may be subject to a maximum fine of RMB50,000 due to the failure to complete the completion and acceptance filing procedures for construction planning within a prescribed period of time; a maximum fine of RMB411,800, representing 2% of the construction contract price of the relevant buildings and structures, due to the failure to obtain the construction work commencement permit. Luanxian Tangsteel Gases may be subject to a maximum fine of RMB500,000, due to the failure of filing of the completion and acceptance within 15 days after the date of the successful completion acceptance. Based on the above, the maximum fines that may be imposed on Luanxian Tangsteel Gases as a result of the above title defects were approximately RMB3.1 million in total.	Our PRC Legal Advisers are of the view that, except for a fine of RMB20,590, representing 1% of the construction contract price imposed by the local bureau of housing and urban-rural development, the likelihood of the relevant authority imposing fines on Luanxian Tangsteel Gases or require Luanxian Tangsteel Gases to return the Land or to demolish the buildings and ancillary facilities on such land with defective title is relatively remote on the basis of the minute of Luanzhou government on resolving relevant issues of Luanxian Tangsteel Gases (《漢州市人民政府關於解決漢縣唐鋼鋼鐵有限公司有關問題的會議紀要》) issued by Luanzhou government on 30 September 2019 and the minute of Luanzhou government on resolving relevant issues and the compliance evaluation of Luanzhou Tangsteel Gases (《漢州市人民政府關於解決漢縣唐鋼鋼鐵有限公司有關問題及合規性評價的會議紀要》) issued by Luanzhou government on 3 August 2020 (the “ Luanzhou Government Meeting Minutes ”). Given that the Luanzhou Government Meeting Minutes have confirmed that we will not be subject to administrative penalties (except for the fine of RMB20,590, representing 1% of the construction contract price imposed by the local bureau of housing and urban-rural development) and as advised by our PRC Legal Advisers, such administrative penalties cover among others seizure by the government due to the defective titles. As such, the competent authorities have confirmed that the buildings and structures constructed on the Luanxian Land will not be seized by the government due to the defective titles.	On 30 September 2019 and 3 August 2020, all relevant competent authorities attended a meeting, based on which Luanzhou government issued the Luanzhou Government Meeting Minutes, confirming that no administrative penalties would be imposed on Luanxian Tangsteel Gases by the authorities, except for a fine of RMB20,590, representing 1% of the construction contract price imposed by the local bureau of housing and urban-rural development which the Directors considered as nominal and immaterial. Pursuant to Minute of the Luanzhou government’s meeting on the compliance evaluation of Luanxian Tangsteel Gases (《漢州市人民政府關於解決漢縣唐鋼鋼鐵有限公司有關問題的會議紀要》) dated 21 November 2019, save as the matters discussed in the Luanzhou Government Meeting Minute dated 30 September 2019, Luanxian Tangsteel Gases was in compliance with the relevant PRC laws, regulations and rules, was not subject to administrative fines, and was not involved in any argument, dispute or complaint with respect to land use, construction land planning, construction work planning and construction work commencement during the period from 1 January 2016 to the date of the meeting minute. Luanxian Tangsteel’s regulatory compliance was re-confirmed by Luanxian government in the Luanxian Government Meeting Minute dated 3 August 2020. Our Directors confirm that subsequent to 3 August 2020 and up to the Latest Practicable Date, except for the failure to obtain/complete the construction land use planning permit and the Construction Permits and Procedures, Luanxian Tangsteel Gases was in compliance with the relevant laws, regulations and rules regarding land use, construction land planning, construction work planning and construction work commencement. It will take approximately six months to obtain/complete the Construction Permits and Procedures following that the land use right certificate for the Luanxian Land is duly obtained. This timeframe is provided based on our best estimate and our on-going dialogues with the local authorities regarding rectifications of the title defects associated with the Luanxian Land.

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
II. Title defects relating to our leased land and the buildings and structures we constructed on such leased land					
TTG, Tangsteel Dongxin Village/ production facilities at the TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant, the TTG Laoting Branch plant and CNG and LNG gas station	TTG leased four parcels of land, all of which were used as our production facilities at the TTG headquarters plant, the TTG Ironmaking Branch plant, the TTG Stainless Steel Branch plant, the TTG Laoting Branch plant and CNG and LNG gas station. We constructed certain buildings and structures on the leased land. Since we were not the land owners, we were unable to obtain/complete the Construction Permits and Procedures.	The non-compliance mainly resulted from (i) the inconsistent implementation or interpretation by local authorities in the PRC of the relevant laws and regulations; (ii) the absence of any investigation, penalty or request for remedial action from the local authorities, which was considered by our local management as being an implied consent to use such properties; and (iii) historical circumstances as confirmed by our Directors that the construction use planning permits (建設用地規劃許可證) for certain parcels of land leased to the Group were not required at or around the time when the land use rights were obtained by the lessors in the 1970s, due to the fact that the legal requirement in the PRC with respect to obtaining such construction land use planning permits was not implemented until 5 August 1987.	As advised by our PRC Legal Advisers, our right as owner or occupant of these properties may be adversely affected due to the absence of such title certificates, e.g. our rights to transfer or lease the buildings and/or subject the ownership of buildings and structures to mortgage loans.	Our PRC Legal Advisers are of the view that the likelihood of the relevant authorities imposing fines on TTG or Tangsteel Dongxin Village, or require TTG to demolish the buildings, production facilities and ancillary facilities constructed on such land is relatively remote on the basis of confirmations issued by the relevant authorities and therefore unlikely to cause any material impact to the Group's daily operation. Given that the relevant competent authorities have confirmed that we will not be subject to administrative penalties and as advised by our PRC Legal Advisers, such administrative penalties cover among others seizure by the government due to the defective titles. As such, the competent authorities have confirmed that the buildings and structures constructed on the leased land will not be seized by the government due to the defective titles. In addition, as advised by our PRC Legal Advisers, non-completion of land lease registrations and the failure to obtain certificates of other rights over land to be issued to us does not impair the effectiveness of the land lease contracts and therefore we may continue to use the leased land. Based on the confirmations issued by the competent authorities, our PRC Legal Advisers are of the view that the lessors and the Group will be able to obtain/complete the construction land use planning permits and the Construction Permits and Procedures.	We have obtained written confirmations on 20 November 2019 and 4 August 2020 from Tangshan Natural Resources and Planning Bureau (唐山市自然資源和規劃局) and Laoting County Natural Resources and Planning Bureau (樂亭縣自然資源和規劃局), the competent authorities as confirmed by our PRC Legal Advisers, confirming that (i) Tangshan Natural Resources and Planning Bureau and Laoting County Natural Resources and Planning Bureau will not impose administrative penalties on TTG and Tangsteel Dongxin Village for failure to obtain the construction land use planning permit and construction work planning permit; and (ii) Tangshan Natural Resources and Planning Bureau and Laoting County Natural Resources and Planning Bureau will complete the Construction Permits and Procedures for TTG and Tangsteel Dongxin Village as soon as possible.
	While the five parcels of leased land have land use right certificates, our lessors failed to obtain the construction land use planning permits (建設用地規劃許可證) for the leased land. As a result, our lessors may be ordered to vacate from the land, which in turn may result in our inability to continue to occupy and use the leased land as well as the buildings and structures erected on the land.	TTG and Tangsteel Dongxin Village may be each subject to a maximum fine of RMB50,000 due to the failure to complete the completion and acceptance filing procedures for construction planning within a prescribed period of time; a maximum fine of RMB818,234 and RMB908,000, respectively, representing 2% of the construction contract price of the respective buildings and structures, due to the failure to obtain the construction work commencement permit.	TTG and Tangsteel Dongxin Village may be each subject to a maximum fine of RMB50,000 due to the failure to complete the completion and acceptance filing procedures for construction planning within a prescribed period of time; a maximum fine of RMB818,234 and RMB908,000, respectively, representing 2% of the construction contract price of the respective buildings and structures, due to the failure to obtain the construction work commencement permit.	As confirmed by Tangshan Natural Resources and Planning Bureau (唐山市自然資源和規劃局), Laoting County Natural Resources and Planning Bureau (樂亭縣自然資源和規劃局), Tangshan Housing and Urban-rural Development Bureau (唐山市住房和城鄉建設局) and Laoting Housing and Urban-rural Development Bureau (樂亭縣住房和城鄉建設局) in the written confirmations, during the period from 1 January 2016 (or from the dates of establishment for TTG Laoting Branch and Tangsteel Dongxin Village which were subsequent to 1 January 2016) to the dates of the confirmations, TTG and Tangsteel Dongxin Village were in compliance with the relevant PRC laws, regulations and rules, and were not subject to administrative fines, and were not involved in any argument, dispute or complaint in respect of land use planning, construction planning and construction of projects.	We have also obtained written confirmations on 29 November 2019 and 24 July 2020 from Tangshan Housing and Urban-rural Development Bureau (唐山市住房和城鄉建設局) and Laoting Housing and Urban-rural Development Bureau (樂亭縣住房和城鄉建設局), the competent authorities as confirmed by our PRC Legal Advisers, confirming that (i) Tangshan Housing and Urban-rural Development Bureau and Laoting Housing and Urban-rural Development Bureau will not impose administrative penalties on TTG and Tangsteel Dongxin Village for failure to obtain construction work commencement permit; and (ii) Tangshan Housing and Urban-rural Development Bureau and Laoting Housing and Urban-rural Development Bureau will complete Construction Permits and Procedures for TTG and Tangsteel Dongxin Village as soon as possible.

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
	We also failed to complete the land lease registrations and obtain certificates of other rights over land (土地他項權利證明書) to be issued to the lessees of leased land by the relevant land administrative authorities after completion of such registrations for our lease of the five parcels of land.		According to the Rules on Land Registration (《土地登記規則》), both the lessors who lease out land use rights and the corresponding lessees are responsible for applying for land lease registrations within 15 days upon signing of the land lease contracts. The relevant land administrative authorities shall record the leases in the land registration cards and issue the certificates of other rights over land to the lessees. Our PRC Legal Advisers confirm that the PRC laws and regulations have not specified statutory penalty for the failure to complete the land lease registrations despite the legal requirement of such registrations. Based on the above, the maximum fines that may be imposed on TTG and Tangsteel Dongxin Village as result of the above title defects were approximately RMB5.5 million and RMB1.1 million in total, respectively.		Our Directors consider that the title defects relating to the leased land and the buildings and structures constructed on such leased land are not serious in nature based on the following: <ul style="list-style-type: none"> the relevant authorities having issued written confirmations which (i) recognise that these are historical legacy matters unrelated to us; (ii) confirm that the relevant authorities will not impose administrative penalties on us; (iii) confirm that the relevant authorities will assist us in resolving these historical legacy matters and obtaining the relevant permits; the authorities having confirmed in writing that no administrative penalties would be imposed on us and the relevant properties would not become subject to seizure, and therefore there would be no material impact on our business operation as a result of these title defects; the relevant authorities having considered the matters relating to these properties as "title defects" instead of our "non-compliance"; and having advised that the chances of the relevant authorities imposing fines or ordering demolition of the said properties were relatively remote and therefore, such defects are unlikely to cause any material impact to the Group's daily operation. <p>We will use our best endeavour to ensure that the certificates of other rights over land (土地他項權利證明書) are duly obtained and the Construction Permits and Procedures are duly obtained/completed as soon as possible and in any event by September 2021, save and except for the production facilities at the TTG headquarters plant and the TTG Ironmaking Branch plant which we will no longer use for production purpose following our cessation of the operation due to the Exist and Relocation Agreement. We will also use our best endeavour to procure the lessors to obtain the construction land use planning permits (建設用地規劃許可證) by September 2021 where applicable.</p> <p>To the best knowledge of the Directors, the lessors have initiated communications with the relevant competent authorities to obtain the construction land use planning permits. The relevant authorities are facilitating and supporting us and the lessors with necessary instructions and guidance regarding the actual application materials. We will closely monitor the progress on a continuous basis and use our best endeavour to ensure that the construction land use planning permits are obtained within the expected timetable, i.e., no later than September 2021.</p> <p>The relevant competent authorities namely Tangshan Natural Resources and Planning Bureau (唐山市自然資源和規劃局) and Laoting County Natural Resources and Planning Bureau (樂亭縣自然資源和規劃局) have issued written confirmations in April 2020 confirming the following:</p> <ul style="list-style-type: none"> the relevant authorities would assist to resolve the historical issues of the leased land; the construction land use planning permits would be processed as soon as possible; the lessors of the leased land would not be subject to administrative penalties (including vacating from and returning the leased land) due to the absence of the construction land use planning permits; and the relevant authorities would not order the lessors or our Group (as the lessee) to demolish the buildings and structures we constructed and our Group is permitted to continue to use the leased land and such buildings and structures. <p>Based on the above confirmations, our Directors consider it highly probable that the construction land use planning permits will be issued by the relevant authorities.</p>

Involved entity/ usage of property	Nature of title defect	Reason for title defect	Legal impact	View of our PRC Legal Advisers	Remedial action taken/to be taken
III. Title defects relating to our leased buildings and structures					
TTG/office and production facilities at the TTG headquarters plant, the TTG Ironmaking Branch plant and office building for TTG Stainless Steel Branch	TTG leased (i) certain buildings and structures for offices and production facilities at the TTG headquarters plant and the TTG Ironmaking Branch plant; and (ii) office building at the TTG Stainless Steel Branch plant. As at the Latest Practicable Date, we failed to complete house leasing registrations with respect to the leased buildings and structures for offices and production facilities.	The non-compliance is mainly caused by (i) our execution team at the relevant time being unfamiliar with the relevant regulatory requirements; and (ii) inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.	Pursuant to the relevant PRC laws and regulations, TTG is subject to a maximum fine of RMB10,000 for non-registration of each lease.	Our PRC Legal Advisers are of the view that the fines, if imposed, would not have material adverse impact on TTG's business operation considering the insignificant amount of potential fines.	TTG intends to use its best endeavour to procure the lessors to cooperate and complete house leasing registrations by September 2021.

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Enhanced Internal Control Measures

As at the Latest Practicable Date, we had taken the following enhanced internal control measures to ensure strict compliance with the relevant laws and regulations with respect to land grant and building construction procedures and lawful property use:

- formalise the procedures for obtaining the requisite permits, licenses and approvals relating to land, designate an administration supervisor to be responsible for the application of the requisite permits and licenses, and following up with the relevant authorities on the application status in a timely manner;
- prepare a list of properties used by our Group containing the details of the relevant properties which will be updated from time to time;
- engage external legal advisers to be responsible for reviewing the application documents for compliance with the applicable laws and regulations, providing legal advice in relation to the application matters, and monitoring and ensuring compliance of the properties use; and
- designate the administration supervisor to be responsible for record keeping (including those documents relating to the obtaining of the requisite permits, licenses and approval) which is reviewed by the external legal advisers.

Impact on our Group

Our Directors confirm that none of our relevant subsidiaries was subject to any significant fine, request for suspension of production or construction or request for relocation from the local governments or the title holders (as appropriate) by reasons of our defective titles disclosed above during the Track Record Period and up to the Latest Practicable Date. While our properties with defective titles are mostly used for production purpose, our Directors are of the view that the title defects will not cause a material adverse impact on us and the risk of relocation is minimal, based on the following:

- on 18 June 2020, we obtained a written confirmation issued by Department of Natural Resources of Hebei Province (河北省自然資源廳), the competent provincial authority of Hebei Province as advised by our PRC Legal Advisers, which confirmed that our use of the owned and leased land had been in compliance with the planned purposes pursuant to the relevant PRC laws and regulations and we had the rights to continue occupying and using its owned and leased land. On the same date, we obtained a written confirmation issued by Department of Housing and Urban-Rural Development of Hebei Province (河北省住房和城鄉建設廳), the competent provincial authority of Hebei Province as advised by our PRC Legal Advisers, which confirmed that our use of the buildings and structures situated on the owned and leased land had been in compliance with the planned purposes pursuant to the relevant PRC laws and regulations and we had the rights to continue occupying and using these buildings and structures;

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- we have received written confirmations from the relevant competent authorities that we will not be subject to administrative penalties due to the defective titles, except for the fine of RMB20,590, representing 1‰ of the construction contract price imposed by the local bureau of housing and urban-rural development relating to the title defects of the Luanxian plant. With respect to the Luanxian plant, our Directors confirm that we will settle the fine imposed by the local bureau of housing and urban-rural development once we receive its written notice. Given the insignificant amount of the fine, our Directors do not believe that it will have material adverse effect on our Group;
- the title defects relating to the Yutian plant and the Luxian plant were primarily resulted from the absence of or delay in obtaining the land use right certificates, which are the prerequisites of obtaining subsequent title documents such as construction land use planning permit, construction work planning permit and construction work commencement permit. Yutian county government and relevant authorities intended to transfer the land use right to TTG Yutian Branch for the Yutian Land based on the meeting minutes of the relevant authorities and the land use right certificate for the Luanxian Land had been obtained in July 2020. As disclosed in the paragraphs headed “— Our properties — Properties with defective titles — I. Absence of the land use right certificates to be obtained for our other occupied land as well as title defects relating to the buildings and structures we constructed on our land with land use right certificates and our other occupied land with the land use right certificates to be obtained” in this section of this prospectus, our risk of being ordered to return the land, vacate from or demolish the relevant buildings and structures is relatively remote. As a result, our Directors believe that it is highly unlikely that we will be ordered to return the land, vacate from or demolish the relevant buildings and structures. Our Directors are of the view that it is highly likely that TTG Yutian Branch will succeed in the land biddings and obtain the land use right certificate of the Yutian Land. Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, our operating cash inflow and available banking facilities, our Directors are of the view that we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus. Hence, our Directors have no intention to sell the relevant properties or to pledge the relevant properties as securities to the bank;
- the title defects relating to our leased properties were mainly due to the historical reasons not caused by our Group as well as the relevant arrangements with our lessors. Based on the confirmations issued by the relevant authorities, except for the fine to be settled aforementioned, we are not subject to any administrative penalties and the authorities will complete the relevant administrative procedures for the relevant buildings and structures, including construction work related procedures and subsequent inspection and acceptance filings. As a result, our Directors are of the view that it is highly unlikely that the authorities would order our lessors to return land or to demolish the buildings and structures, or to declare our lease agreements invalid. Further, HBIS Company and the lessor for the leased land at the TTG Stainless Steel Branch plant have agreed to indemnify us for the losses incurred if we are unable to continue to use the leased land due to the title defects. As advised by our PRC Legal Advisers, our risk of being subject to fines is

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relatively remote except for the fine to be settled aforementioned. Considering the fact that HBIS Tangshan Branch and Tangshan Plate are also our pipeline industrial gas customers, our location within their production sites will ensure our stable and continuous supply of pipeline industrial gas to support their production. As a result, our Directors are of the view that these lessors are incentivised to use their best efforts to assist us in rectifying the title defects. We will use our best endeavour to ensure that the relevant permits and procedures are duly obtained and completed by September 2021. We will also use our best endeavour to procure the lessors to obtain the construction land use planning permits and to complete the relevant lease registrations by September 2021; and

- there is no difference in land cost/rental we would have to pay if the properties we currently use do not have title defects except for the land grant premium, deed tax and stamp duty for the Yutian Land.

Considering the views of the relevant authorities as stated in the meeting minutes and confirmations issued by the authorities, the advice of our PRC Legal Advisers, indemnity made by HBIS Company and potential impact on our pipeline industrial gas customers if we were to relocate our operations due to title defects, our Directors are of the view that it is unlikely that we will be required to identify alternative properties and make relocation arrangements and therefore a contingency plan is not necessarily required.

For the buildings and structures that we constructed and had not obtained building ownership certificates, according to the safety assessment reports and expert's review issued upon completion inspections and confirmations issued in December 2019 by institutions which are accredited by the Hebei Administration for Market Regulation (河北省市場監督管理局) and are licensed by Hebei Bureau of Housing and Urban-Rural Development (河北省住房和城鄉建設廳) for undertaking construction work quality inspections. For CNG and LNG gas station, annual supervision and inspection result confirmed by Tangshan Bureau of Housing and Urban-rural Development, the buildings and structures we constructed satisfied the safety requirements and are suitable for use. Our Directors confirm that no material non-compliance issues regarding the safety condition of the buildings and structures were raised by the local authorities during the Track Record Period and up to the Latest Practicable Date. Based on the above, our Directors confirm the safety condition of the buildings and structures we constructed was in compliance with the relevant safety requirements in material respects during the Track Record Period and up to the Latest Practicable Date.

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INSURANCE

We generally maintain all risks property insurance and machine damage insurance to cover our main fixed assets and plant and equipment, which are tailored for individual production facilities and cover the damages and losses arising from incidents including accidents (whether self-inflicted or caused by a third party), natural disasters and other force majeure events. We also contribute to social insurance for our employees as required by the PRC social security regulations, such as pension contribution plans, medical insurance plans, unemployment insurance plans and work related injury insurance plans for our employees as required by local government. Please refer to the paragraphs headed “— Employees” in this section of this prospectus for more information. However, we do not maintain third party insurance in respect of our operations as it is neither industry practice nor a mandatory requirement under PRC law. We believe that our insurance coverage is sufficient for our present purposes and is consistent with coverage for other companies in our industry in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material business interruptions or material insurance claims. We will procure necessary additional insurance coverage for our business operations on an as-needed basis.

LEGAL PROCEEDINGS

Our PRC Legal Advisers are not aware of and our Directors confirm that there had not been any litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition and results of operations as at the Latest Practicable Date.

REGULATORY COMPLIANCE

Except for the non-compliances disclosed below, our Directors confirm that, during the Track Record Period and as at the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects. The maximum fines that may be imposed on Luanxian Tangsteel Gases and Zhongqi Investment as a result of the non-compliances below were approximately RMB2.4 million and RMB0.3 million, respectively. The table below sets out a summary of our non-compliance incidents as at the Latest Practicable Date.

Non-compliance incidents	Reason for non-compliance	Legal impact	View of the PRC Legal Adviser	Remedial action taken
Luanxian Tangsteel Gases As at the Latest Practicable Date, Luanxian Tangsteel Gases had not obtained the renewed pollutant discharge permit after its expiry on 29 December 2017.	The non-compliance resulted from the substantial reduction on our LNG production since 2017. As a result of such reduction, we were unable to determine the level of pollutant discharge, since information regarding pollutant discharge concentration and discharge volume can only be ascertained when a normal production (i.e., more than 50% loaded operation) is maintained. As confirmed by our PRC Legal Advisers, the information of the pollutant discharge concentration and discharge volume must be submitted to the authority for the application and/or renewal of the pollutant discharge permit.	Pursuant to Measures for the Administration of Pollution Discharge Permits (《排污許可管理辦法》), Luanxian Tangsteel Gases may be required to limit production, suspend the production for rectification or discontinue its operation, and may be subject to a fine ranging from RMB100,000 to RMB1.0 million, due to the failure to renew the pollutant discharge permit.	Our PRC Legal Advisers are of the view that the risk of Luanxian Tangsteel Gases being subject to administrative penalties due to failure to renew the pollutant discharge permit is remote, considering the meeting minutes issued by Luanzhou government dated 30 September 2019, 21 November 2019 and 3 August 2020.	On 30 September 2019 and 3 August 2020, the competent authorities attended a meeting, based on which Luanzhou government issued the Luanzhou Government Meeting Minutes, confirming that, (i) the competent authorities will assist Luanxian Tangsteel Gases to obtain the pollutant discharge permit and production safety license; and (ii) the competent authorities will not impose administrative penalties on Luanxian Tangsteel Gases. Pursuant to minutes of the Luanzhou government's meeting on the compliance evaluation of Luanxian Tangsteel Gases (《瀾州市人民政府關於瀾縣唐鋼氣體有限公司全規性評價的會議紀要》) dated 21 November 2019 and the minute of Luanzhou government on resolving relevant issues and the compliance evaluation of Luanzhou Tangsteel Gases (《瀾州市人民政府關於解決瀾縣唐鋼氣體有限公司有關問題及合規性評價的會議紀要》) issued by Luanzhou government on 3 August 2020, save as the matters discussed in the meeting minutes, Luanxian Tangsteel Gases was in compliance with the relevant PRC laws, regulations and rules, was not subject to administrative fines, and not involved in any argument, dispute or complaint with respect to environmental protection and safe production during the period from 1 January 2016 to the dates of the respective meeting minutes. Our Directors confirm that subsequent to 3 August 2020 and up to the Latest Practicable Date, Luanxian Tangsteel Gases remained at the same position with respect to environmental protection and safe production compliance. We intend to use our best endeavour to ensure that all required permits, licenses and approval for the LNG production are obtained in accordance with the relevant laws and regulations. We will not resume LNG production after COG is readily available unless all applicable regulatory procedures are duly completed.
As at the Latest Practicable Date, Luanxian Tangsteel Gases had not obtained the production safety license which was required for its LNG production.	As advised by our PRC Legal Advisers, the completion of the production and acceptance procedures for the safety facilities (the "Safety Acceptance") is one of the pre-conditions to obtain the production safety license. As the Safety Acceptance cannot be completed due to reduction of production at the Luanxian plant (as confirmed by the accredited safety assessment institution of Luanxian Tangsteel Gases' Safety Acceptance), Luanxian Tangsteel Gases was unable to obtain the production safety license.	Pursuant to Implementation Measures for Work Safety Licenses of Enterprises Producing Hazardous Chemicals (《危險化學品生產企業安全生產許可證實施辦法》), Luanxian Tangsteel Gases may be required to suspend the production, have the illegal income confiscated, and may be subject to a maximum fine of RMB500,000, due to the failure to obtain the production safety license.	Our PRC Legal Advisers are of the view that the risk of Luanxian Tangsteel Gases being subject to administrative penalties due to failure to obtain the production safety license is remote, having taking into account information contained in the meeting minutes issued by Luanzhou government dated 30 September 2019, 21 November 2019 and 3 August 2020. Given that the Group's LNG production remains temporarily suspended, our PRC Legal Advisers further confirm that, the absence of the production safety license during the period of production suspension does not constitute non-compliance.	

Non-compliance incidents	Reason for non-compliance	Legal impact	View of the PRC Legal Adviser	Remedial action taken
As at the Latest Practicable Date, Luanxian Tangsteel Gases had not obtained the production license of industrial products.	The non-compliance was mainly caused by our failure to obtain the production safety license.	Pursuant to Regulations of the People's Republic of China on Administration of Production Licensing of Industrial Products (《工業產品生產許可證管理條例》), Luanxian Tangsteel Gases may be required to suspend the production, have the products illegally produced and illegal income, if any, confiscated, and may be subject to a maximum fine of approximately RMB100,000 for the failure to obtain the requisite production license of industrial products. If a crime is committed, Luanxian Tangsteel Gases may be held criminally liable.	Our PRC Legal Advisers are of the view that the risk of Luanxian Tangsteel Gases being subject to administrative penalties due to failure to obtain the production license of industrial products is remote, considering the meeting minutes issued by Luanzhou government dated 30 September 2019, 21 November 2019 and 3 August 2020.	On 30 September 2019 and 3 August 2020, the competent authorities attended a meeting, based on which Luanzhou government issued the Luanzhou Government Meeting Minutes, confirming that, (i) the competent authorities will assist Luanxian Tangsteel Gases to obtain the production license of industrial products, filling license for transportable pressure vessel and fire safety completion inspection; and (ii) the competent authorities will not impose administrative penalties on Luanxian Tangsteel Gases.
As at the Latest Practicable Date, Luanxian Tangsteel Gases had not obtained the filling license for transportable pressure vessel.	The non-compliance was mainly caused by the failure to complete the pipeline inspection.	Pursuant to Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》), Luanxian Tangsteel Gases may be banned from conducting activities of filling the transportable pressure vessel or gas cylinder, have the illegally filled gas cylinders and illegal income, if any, confiscated, and may be subject to a maximum fine of RMB500,000, due to the failure to obtain the filling license for transportable pressure vessel.	Our PRC Legal Advisers are of the view that the risk of Luanxian Tangsteel Gases being subject to administrative penalties due to failure to obtain the filling license for transportable pressure vessel is remote, considering the meeting minutes issued by Luanzhou government dated 30 September 2019, 21 November 2019 and 3 August 2020.	Pursuant to minutes of the Luanzhou government's meeting on the compliance evaluation of Luanxian Tangsteel Gases (《瀾州市人民政府關於解決瀾縣唐鋼氣體有限公司有關問題及合規性評價的會議紀要》) issued by Luanzhou government on 3 August 2020, save as the matters discussed in the meeting minutes, Luanxian Tangsteel Gases was in compliance with the relevant PRC laws, regulations and rules, was not subject to administrative fines, and was not involved in any argument, dispute or complaint with respect to safe production, quality and technology administration and fire safety during the period from 1 January 2016 to the dates of the respective meeting minutes.
As at the Latest Practicable Date, Luanxian Tangsteel Gases failed to obtain fire design approval before commencement of construction and failed to complete fire safety completion inspection before commencement of production.	The non-compliance was mainly caused by the delay in obtaining land use right certificate.	Pursuant to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and Supervision and Provisional Administration of Fire Prevention Design Approval and Acceptance Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), Luanxian Tangsteel Gases may be ordered to cease usage of the buildings or to suspend operation and be subject to a fine ranging from RMB30,000 to RMB300,000.	Our PRC Legal Advisers are of the view that the risk of Luanxian Tangsteel Gases being subject to administrative penalties due to failure to obtain fire safety facility design approval before commencement of construction and failure to complete fire safety completion inspection before commencement of production is remote, considering the meeting minutes issued by Luanzhou government dated 30 September 2019, 21 November 2019 and 3 August 2020.	Our Directors confirm that subsequent to 3 August 2020 and up to the Latest Practicable Date, Luanxian Tangsteel Gases remained at the same position with respect to safe production compliance, quality and technology administration and fire safety. We expect that Luanxian Tangsteel Gases will obtain the filling license for transportable pressure vessel, obtain the fire design approval and complete fire safety completion inspection by March 2021, December 2020 and December 2020, respectively.

Non-compliance incidents	Reason for non-compliance	Legal impact	View of the PRC Legal Adviser	Remedial action taken
<p>Zhongqi Investment</p> <p>As at the Latest Practicable Date, Zhongqi Investment failed to obtain fire design approval before commencement of construction.</p>	<p>Such non-compliance was primarily because we were not able to obtain such approvals and/or assessment before commencement of our construction due to the procedures and time required for the issuance of such approvals and/or assessment by the relevant local government authorities.</p>	<p>Pursuant to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and Supervision and Provisional Administration of Fire Prevention Design Approval and Acceptance Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), Zhongqi Investment may be ordered to cease construction or the usage of structures, and be subject to a fine ranging from RMB30,000 to RMB300,000.</p>	<p>Our PRC Legal Advisers are of the view that the risk of Zhongqi Investment being subject to administrative penalties due to failure to obtain fire safety facility design approval before commencement of construction is remote, after considering the written confirmation issued by Laoting Housing and Urban-rural Development Bureau (樂亭縣住房和城鄉建設局).</p>	<p>We intend to use our best endeavour to ensure that the production license of industrial products is obtained in accordance with the relevant laws and regulations in due course. We will not resume LNG production after COG is readily available unless all applicable regulatory procedures are duly completed.</p>
			<p>We obtained a written confirmation on 23 December 2019 issued by Laoting Housing and Urban-rural Development Bureau (樂亭縣住房和城鄉建設局), the competent authority as confirmed by our PRC Legal Advisers, confirming that (i) Zhongqi Investment is in the process of obtaining the approval; (ii) the non-compliance of Zhongqi Investment was noted by the bureau; (iii) the bureau would not order Zhongqi Investment to cease construction or to demolish the construction in progress within a prescribed period of time; and (iv) the bureau would not impose fines on Zhongqi Investment.</p>	
			<p>Based on an acknowledgment letter issued on 30 September 2020, the Laoting Housing and Urban-rural Development Bureau confirmed that Zhongqi Investment had submitted all required information for the fire design with respect to its Phase I construction and the fire design approval would be issued within 20 working days from the date of the letter. As advised by our PRC Legal Advisers, according to the acknowledgment letter aforesaid, there is no legal impediment for Zhongqi Investment to obtain the fire design approval in due course. We will ensure that all relevant required licences and approvals are obtained before the commencement of the operation of the Zhongqi Investment plant. In the unlikely event that we are not able to obtain the relevant certificate, permit, approval and complete other necessary procedures as planned, we will not proceed with the operation as planned in phase I.</p>	

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Enhanced Internal Control Measures

We have set up an internal reporting system to detect and report the issues to the management, and we will continue to seek advice from external legal advisers when necessary to obtain advice on legal and compliance matters relating to our construction and operation. We maintain a list of certificates, licenses and permits that are required in order for us to commence operation of a production plant and will update this list from time to time based on requirements of the local authorities and also advice given to us by our PRC Legal Advisers. We, under the supervision of Mr. Chen, will monitor the application for and maintenance of certificates, licenses and permits against the list referred to above and ensure that all relevant licenses are obtained prior to the commencement of the formal operation of any production plant, where necessary.

Impact on our Group

As at the Latest Practicable Date, our Directors confirm that Luanxian Tangsteel Gases and Zhongqi Investment had not been subject to any fine, request for suspension of production or confiscation of any income or products from competent authorities with respect to such non-compliance incidents disclosed above.

Having considered the facts and circumstances leading to the non-compliance incidents disclosed in this prospectus, the advice given by our PRC Legal Advisers, the relevant rectifications, on-going compliance measures mentioned above, current status of the Zhongqi Investment plant and revenue contribution from Luanxian Tangsteel Gases, our Directors are of the view that the non-compliance incidents will not have a material adverse impact on our business operations or financial condition as a whole.

After considering the above rectification taken by our Group, our business model and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. Save as the non-compliance of Luanxian Tangsteel Gases and Zhongqi Investment and considering the rectification taken by our Group, the Directors are of the view that there are no further material issues with regard to our Company's internal controls.

The Sole Sponsor, based on the followings, is of the view that the historical non-compliance incidents of our Group do not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for Listing under Rule 8.04 of the Listing Rules:

- our Directors' assessment that the non-compliance incidents have not resulted, and are not expected to result, in any material operational or financial impact on us, on the basis of:
- confirmations obtained from the relevant authorities and advice of our PRC Legal Advisers that the risk of (i) Luanxian Tangsteel Gases and Zhongqi Investment being subject to any penalties in relation to the non-compliances is remote, and (ii) Luanxian Tangsteel Gases being subject to damages or other legal or administrative

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actions (except for the fine of RMB20,590, representing 1‰ of the construction contract price imposed by the local bureau of housing and urban-rural development relating to the title defects of Luanxian plant) in relation to the properties with defective titles is remote; and

- up to the Latest Practicable Date, we had not been required to pay any penalty or subject to any other legal or administrative actions for any of the non-compliance incidents.
- the confirmations issued by the relevant PRC authorities that they did not consider such non-compliances were of such seriousness which would warrant legal or administrative actions;
- the fact that the non-compliance incidents arose during the ordinary course of business of our Group and were primarily due to the unfamiliarity with the relevant PRC legal requirements and procedures at the material time, and in respect of Luanxian Tangsteel Gases' failure in obtaining the required licences, some of the them were caused by external factors beyond our Group's control such as reduction in production level, resulting in difficulty in completing the required assessments for obtaining such licences;
- our Directors having taken the initiative to communicate with the relevant government authorities to fully rectify all the non-compliance incidents, including submitting application for the required licenses and approvals and ongoing follow-up with the relevant government authorities, which demonstrated our Directors' willingness to rectify any potential non-compliance and to enhance our corporate governance in a timely manner;
- our Directors having adopted and implemented the internal control measures as disclosed above, including but not limited to (i) the assignment of designated responsible staff and clear reporting mechanism such that our Directors and senior management could adequately supervise and monitor the relevant staff to ensure our Group operate our business in a compliant manner going forward; and (ii) that we will also engage external legal advisers to advise us on legal compliance matters in respect of our operations as and when required;
- the underlying causes and nature of the non-compliance incidents, did not appear to relate to any fraudulent act or deliberate intent of non-compliance with law on the part of the Directors, did not raise any question as to the integrity of our Directors, nor were they caused by the lack of the required standard of competence, experience and integrity of our Directors;
- as part of the Listing process, our Directors having undergone directors' training in connection with, among other things, the duties of directors under the Listing Rules; and
- and that, after making enquiries with the management of our Company and reviewing the findings provided by our internal control consultant regarding our Group's internal control system, nothing has come to the Sole Sponsor's attention that our Company's enhanced internal control measures are inadequate or ineffective.

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Save as the non-compliance of Luanxian Tangsteel Gases and Zhongqi Investment, to the best knowledge of our Directors, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

We are primarily exposed to the following risks: (i) operational risks, such as relationship with members of the HBIS Group, ability to manage expansion and relocation of certain machinery and equipment, production control, product quality control and customer services; (ii) regulatory risks, such as safety, environmental protection and maintenance of required licenses, permits and certificates; and (iii) financial risks, such as interest rate risk, credit risk and capital management.

Our Board of Directors is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable PRC laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our Group. Our Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to our business sustainability. The material internal control deficiencies noted include the inadequate control procedures to ensure the following:

- obtain all the required land use and construction related permits before commencement of construction;
- finish or obtain all required completion inspection procedures, evaluation procedures, permits, and licenses before commencement of operation or use;
- timely internal reporting system to detect and report the issues to the management; and
- seek advice from external legal advisers when necessary to obtain advice on legal and compliance matters relating to our construction and operation.

The following sets out the key measures adopted by our Group under our risk management and internal control systems:

- (i) with a view to formulating detailed internal control policies, procedures and guidelines in preparation for our Listing, we have engaged an internal control consultant, a leading international provider of independent internal audit and business and technology risk consulting services, to appraise the internal control systems and identify risk areas presented to the operations and control environment of our Group. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable legal and regulatory requirements;

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- (ii) our compliance department will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinators to oversee the internal control procedures in general. Upon receipt of any queries or reports on any legal, regulatory and financial reporting compliance matter, the company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;
- (iii) we have established a compliance department which is responsible for monitoring legal and regulatory compliance and the control environment at the group level as well as the subsidiary level. The compliance department comprises of our legal and company secretarial teams and is headed by Mr. Chen, our Chairman and executive Director. The compliance department directly reports to the compliance committee on a monthly basis and is also required to provide periodic reports on our Group's compliance status to our Board; and
- (iv) we have formulated a comprehensive internal control policy which covers various major areas of our operations including approval process and authority, compliance risk management, capital investment management and contract management.

As at the Latest Practicable Date, we had also implemented enhanced internal control measures in accordance with the recommendations of the material internal control deficiencies noted from the Internal Control Consultant. For further details, please refer to the paragraphs headed “—Properties with defective titles — Enhanced Internal Control Measures” and “—Regulatory Compliance — Enhanced Internal Control Measures” in this section.

In preparation for the Listing, the Group has engaged an Independent Third Party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in December of 2018 (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including corporate governance, risk assessment and monitoring, revenue and receivables, purchases and payables, inventory, cost, payroll, fixed assets, treasury, insurance, financial reporting, tax, regulatory compliance and general controls of information technology.

The Internal Control Consultant performed the follow-up reviews between September and December 2019 to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation after the Follow up Review.

The Internal Controls Review and the Follow-up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

BUSINESS

Taking into account the remedial measures adopted by our Group and the enhanced internal control measures implemented in connection with the non-compliance incidences disclosed under the paragraphs headed “Regulatory Compliance” in this section of this prospectus, the results of the review conducted by the Internal Control Consultant and on-going monitoring and supervision by our management, our Directors are of the view that we have taken reasonable steps to establish internal control system and procedures to enhance the control environment, at both working and monitoring levels, and hence, the enhanced internal control measures adopted by our Group are adequate and effective in reducing the risk of future non-compliance by our Group with legal and regulatory requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We proactively identify any major environmental and social risks related to our business, including environmental compliance, energy consumption and health and safety. We have set up metrics and targets for environmental, energy and health and safety management, to review major environmental and social risk performance on a regular basis.

The environmental issues arising in our industrial gas production process mainly consist of cooling water and domestic wastewater discharge and noise reduction. For more information regarding our environmental protection, please refer to the paragraphs headed “— Environmental Protection” in this section of this prospectus. The environmental compliance cost incurred during the Track Record Period which mainly comprised of waste water treatment was approximately RMB0.08 million, RMB0.07 million, RMB0.5 million and RMB0.02 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. Considering the insignificance of such compliance cost as compared with our revenue, we believe that the environmental-related risks do not have a material impact on our financial performance. Being a market leader with a strategy to continue to expand our market share, we will continue to emphasise environmental protection and ensure our environmental compliance going forward. We will allocate sufficient resources such as skilled personnel, technology and capital to support environmental protection.

We have set a target to reduce water consumption to less than 20.0 m³ for every 10,000 Nm³ of oxygen produced. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our water consumption was 18.2 m³, 14.0 m³, 15.2 m³ and 14.1 m³ for every 10,000 Nm³ of oxygen produced, respectively. We will carry out regular maintenance of production facilities to reduce water leakage. As part of our continuous efforts to improve operational efficiency, we will improve the effectiveness waste water treatment to reduce water emissions, reduce water overflow and minimise unnecessary water evaporation.

BUSINESS

Major source of noise is the operation of our ASUs and ancillary facilities. We have set a target to reduce noise to less than 65 dB(A) during day time and 55 dB(A) during night time which is the applicable upper limit pursuant to the emission standard for industrial enterprise noise at boundary (GB12348 — 2008). As at 31 December 2017, 2018 and 2019 and 30 June 2020, the noise recorded during day time on average was 63.6 dB(A), 63.0 dB(A), 64.0 dB(A) and 63.5 dB(A), respectively, while the noise recorded during night time on average was 54.0 dB(A), 53.5 dB(A), 54.3 dB(A) and 54.2 dB(A), respectively. In order to reduce noise generated during our production process, we have adopted comprehensive measures, such as advanced planning of machinery installation, sound insulation among building and use of machinery with lower level of noise emission, to control the noise level to our target.

Also, as our business is electricity intensive, we will regularly review the electricity consumption level and consider methods to reduce energy consumption. We have set a target to reduce electricity consumption to less than 0.8 kWh per Nm³ of oxygen produced, which is below our lowest level of electricity consumption during the Track Record Period. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our electricity consumption was 0.825 kWh, 0.812 kWh, 0.804 kWh and 0.804 kWh per Nm³ of oxygen produced, respectively. We are committed to enhancing the level of automated operation to improve overall efficiency. We emphasise on streamlining production process which could help with reduction of utility consumption.

One of our major health and safety issues is the operation of hazardous chemicals. For our measures to control health and safety risks, please refer to the paragraphs headed “— Health and Safety” in this section of this prospectus.

We assess the impact of environmental and social risks on our Group and our stakeholders from time to time and have established a governance system to mitigate them. We have formed a standard management system regarding risks related to our business. Our Directors and senior management conduct daily supervision and are collectively responsible for each environmental and social risk.

Our technical equipment department, together with various business divisions and subsidiaries, manage and control the noise and waste issues. Our safety management committee conducts systemic construction, implementation and supervision of our safety production system, emergency disposal and reporting of safety production incidents. Our general department is principally responsible for the management of human resources risks. Our production department is responsible for setting up an evaluation system for utility consumption and for daily monitoring.

We will publish an Environmental, Social and Governance Report each year pursuant to Appendix 27 of the Listing Rules upon Listing to analyse and disclose important environmental, social and governance matters, risk management and the accomplishment of performance and objectives.

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, any director, chief executive or substantial shareholder of our Company or any of our subsidiaries (including any person who, within 12 months preceding the Listing Date, was a director of our Company or any of our subsidiaries), or any associate of the above person will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

As HBIS Company and HBIS will be (amongst others) our Controlling Shareholders, members of the HBIS Group will be our connected persons upon Listing. Therefore, upon Listing, the following transactions between us and the members of the HBIS Group will constitute continuing connected transactions of our Company under Chapter 14A the Listing Rules.

CONNECTED TRANSACTIONS

Our Company has entered into certain agreements with our Controlling Shareholders, including the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement, the Master Lease Agreement and the Master Miscellaneous Services Agreement. Upon Listing, the transactions contemplated under these agreements shall constitute continuing connected transactions as defined under the Listing Rules.

The following table sets out the summary of our continuing connected transactions upon Listing:

Nature of transaction	Waiver sought	Historical Amounts				Annual Caps		
		Year ended 31 December			Six months ended 30	Year ending 31 December		
		2017	2018	2019	June 2020	2020	2021	2022
		RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million

Non-exempt continuing connected transactions

Master Gas Products and Related Services Agreement	Waiver from strict compliance with the announcement and independent shareholders' approval requirements	817.4 ^(Note)	845.1 ^(Note)	1,096.7 ^(Note)	528.8 ^(Note)	1,084.9	1,525.1	1,671.5
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Note: Our sales of Gas Products and Related Services to the HBIS Group (including HBIS and its subsidiaries and associates) were approximately RMB817.4 million, RMB845.1 million, RMB1,096.7 million and RMB528.8 million, representing approximately 79.6%, 73.8%, 84.0% and 88.5% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, respectively.

CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Waiver sought	Historical Amounts				Annual Caps		
		Year ended 31 December			Six months ended 30 June 2020	Year ending 31 December		
		2017	2018	2019		2020	2021	2022
		RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Master Utilities and Related Services Agreement	Waiver from strict compliance with the announcement and independent shareholders' approval requirements	662.8 ^(Note)	734.7 ^(Note)	853.8 ^(Note)	367.2 ^(Note)	887.8	1,339.0	1,496.0
Partially exempt continuing connected transactions								
Master Lease Agreement	Waiver from strict compliance with the announcement requirement	Nil	1.0	8.1	Nil	6.6	1.3	10.5
Master Miscellaneous Services Agreement	Waiver from strict compliance with the announcement requirement	8.0	7.5	11.5	5.3	19.0	22.8	25.1

Note: Our purchase of Utilities and Related Services from the HBIS Group (including HBIS and its subsidiaries and associates) were approximately RMB662.8 million, RMB734.7 million, RMB853.8 million and RMB367.2 million, representing approximately 77.1%, 79.3%, 83.5% and 80.4% of our total cost of revenues for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Master Gas Products and Related Services Agreement

Description and principal terms

On 17 June 2020, our Company and HBIS entered into a gas products and related services framework agreement (the “**Master Gas Products and Related Services Agreement**”), pursuant to which, we agreed to supply gas products (including pipeline and liquefied industrial gas and other gas products as agreed by our Company and members of the HBIS Group from time to time) and provide related services (including provision of gas transmission and storage tanks rental services) to members of the HBIS Group mainly for their production of iron and steel products (the “**Gas Products and Related Services Transactions**”) for a term commencing from the Listing Date and ending on 31 December 2022. The Master Gas Products and Related Services Agreement will be automatically renewed for a successive period of three years thereafter subject to review and approval by the independent shareholders after expiration of the three-year term and the compliance with the Listing Rules and provided always that our Company shall have the right to terminate at any time by giving to HBIS not less than thirty (30) Business Days’ prior written notice. We may from time to time enter into operational agreement(s) with members of the HBIS Group in relation to any Gas Products and Related Services Transaction(s) upon, and subject to, the terms and conditions of the Master Gas Products and Related Services Agreement (the “**Operational Gas Products and Related Services Agreements**”). Each of our Company and HBIS agreed to procure their respective members to comply with the terms of the Master Gas Products and Related Services Agreement.

CONTINUING CONNECTED TRANSACTIONS

The following table sets out the major existing Operational Gas Products and Related Services Agreements as at the Latest Practicable Date:

Counterparty	Relationship with our Group	Nature of the transaction	Term
HBIS Tangshan Branch	Branch of HBIS Company	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen, and hydrogen and liquefied oxygen, nitrogen and argon	March 2007 to February 2037
Tangshan Stainless Steel	Subsidiary of HBIS Tangsteel	Supply of industrial gas, including but not limited to pipeline oxygen and nitrogen, and liquefied oxygen, nitrogen and argon	March 2007 to February 2037
Tangshan Plate	Subsidiary of HBIS Company	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen and hydrogen and liquefied oxygen, nitrogen and argon	January 2015 to December 2029 and further extended to May 2033
Tangshan Car Plate	Subsidiary of HBIS Tangsteel	Supply of industrial gas, including but not limited to pipeline nitrogen and hydrogen	January 2019 to December 2020
HBIS Laosteel	a wholly-owned subsidiary of HBIS Xuansteel, which is a subsidiary of HBIS	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen, argon and hydrogen and liquefied oxygen and nitrogen	15 years from date of commencement of operations of the Zhongqi Investment plant, or a date to be agreed by both parties

Despite that the Master Gas Products and Related Services Agreement has an initial term of three years, the majority of the major existing Operational Gas Products and Related Services Agreements were entered into on a long-term basis as set out above. Our Directors believe that the long-term industrial gas supply arrangement can protect the interests of our Company and our Shareholders by minimising our Company's investment and capital risk in incurring a large amount of capital expenditure in the construction of our production facilities before generating any revenue. Our Directors are of the view that the long-term industrial gas supply arrangement is necessary for the efficient and continuing operation of our Company and Frost & Sullivan has confirmed that the long-term industrial gas supply arrangement is an established feature of our Company's business model for our on-site industrial gas supply operation and is consistent with the industry norm. The Sole Sponsor is also of the view that it is normal business practice for contracts of this type to be of such duration. For further details of the terms of the major existing Operational Gas Products and Related Services Agreements, please refer to the sections headed "Business — Our business — Customers — Pipeline industrial gas customers", "— Customers — Liquefied industrial gas customers" and "— Customers — LNG-related business customers" in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Each of the Operational Gas Products and Related Services Agreements is and will be subject to the terms and conditions of the Master Gas Products and Related Services Agreement. Upon expiration of the Master Gas Products and Related Services Agreement and the annual caps and in the event that the approval from the independent Shareholders for its renewal or new annual caps is not granted, our Company will re-comply with the relevant Listing Rules or apply for waivers in respect of each of the Operational Gas Products and Related Services Agreements, where applicable.

Pricing guidelines

The unit price for each type of industrial gas products and the fees for related services are set out in the relevant Operational Gas Products and Related Services Agreement subject to adjustment by parties entering into a supplemental agreement. The unit price for each type of the pipeline industrial gas products is determined on cost plus basis after arm's length negotiations between the relevant parties, taking into account major costs, including electricity expenses (with reference to the government-prescribed price), depreciation of our equipment and the administrative and finance cost. The unit price of each type of liquefied industrial gas and fees for storage tanks rental services will be determined with reference to the relevant market price charged by Independent Third Party providers for the same or similar type of liquefied industrial gas and rental services and actual cost which includes the transportation cost, where applicable. The fees for gas transmission are based on actual costs and expenses incurred in providing such service. Monthly settlement is made on the basis of the actual supply volume subject to the minimum purchase volume by each of the relevant member of the HBIS Group under the relevant Operational Gas Products and Related Services Agreement where applicable.

As our business is electricity intensive, where relevant, the existing Operational Gas Products and Related Services Agreements provide for a price adjustment mechanism with a pre-determined formula to factor in the fluctuation in electricity price and supplemental agreements between us and relevant member of the HBIS Group have been or will be made to reflect the price adjustment under such mechanism.

Historical transaction amounts

For the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, our aggregate sales of industrial gas and related services to the HBIS Group were approximately RMB817.4 million, RMB845.1 million, RMB1,096.7 million and RMB528.8 million, respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the Gas Products and Related Services Transactions contemplated under the Master Gas Products and Related Services Agreement for each of the years ending 31 December 2020, 2021 and 2022 shall not exceed the amount set out below:

	Proposed annual cap for the year ending		
	31 December		
	2020	2021	2022
	RMB'million	RMB'million	RMB'million
Total fees	<u>1,084.9</u>	<u>1,525.1</u>	<u>1,671.5</u>

CONTINUING CONNECTED TRANSACTIONS

In arriving at the annual caps, our Directors considered the following major factors:-

- (i) the current production capacity of our equipment;
- (ii) the historical sales amount of our gas products and related services to the HBIS Group during the Track Record Period;
- (iii) the minimum purchase volume, where applicable, for each type of the pipeline industrial gas under the existing Operational Gas Products and Related Services Agreements;
- (iv) the production plans of each of our connected industrial gas customers which reflect the anticipated industrial gas demand of such connected industrial gas customers;
- (v) the decrease in our Group's supply of industrial gas to the HBIS Group in September and October 2020 mainly attributable to the cessation of iron and steel productions of HBIS Tangshan Branch at the production sites served by our Group's TTG headquarters plant and TTG Ironmaking Branch plant in term of supply of industrial gas, except for a cold rolling mill, pursuant to an exit and relocation agreement entered into by HBIS Company and the People's Government of Tangshan on 19 August 2020. For details of the exit and relocation agreement and its impact on our production, please refer to the section headed "Business — Our business — Our production facilities — Production plant under development" in this prospectus;
- (vi) the expected graduate increase in our Group's supply of industrial gas to the HBIS Group in 2021 and 2022 mainly attributable to the commencement of trial operation of Phase I and Phase II of Zhongqi Investment plant development: (a) the first and second new ASUs are expected to commence trial operation in October 2020 and November/December 2020 respectively, leading to increases in our designed production capacity of oxygen of 60,000 Nm³/hr and 40,000 Nm³/hr from the respective commencement dates; and (b) the third relocated ASU is expected to commence trial operation in the first quarter of 2021, leading to an increase in our designed production capacity of oxygen of 40,000 Nm³/hr from the commencement date; and (c) the fourth new ASU is expected to commence trail operation in the first half of 2022, leading to further increase in our designed production capacity of oxygen of 60,000 Nm³/hr. Taking into the account the decrease of our production capacity due to the relocation of ASUs and air compressors in the TTG Headquarters plant, the net impact of the Zhongqi Investment plant development on our total designed production capacity will be an increase of 127,000 Nm³/hr of oxygen. For details of the increase in the designed production capacity of each of our major industrial gas products, please refer to the section headed "Business — Our business — Our production facilities — Production plant under development" in this prospectus;
- (vii) the agreed unit price for each type of the gas products and related services under the existing Operational Gas Products and Related Services Agreements, which is expected to remain the same in line with the expectation of relatively stable price of pipeline industrial gas as advised by Frost & Sullivan but subject to possible price adjustment due to the electricity price fluctuation (as mentioned above); and

CONTINUING CONNECTED TRANSACTIONS

(viii) the potential growth of the PRC industrial gas market at a CAGR of approximately 9.0% from 2019 to 2024.

Taking into account the major factors set out above, the total fee receivable from the HBIS Group by our Group with respect to the Master Gas Products and Related Services Agreement is expected to be approximately RMB1,084.9 million in 2020. The anticipated increase in our Group's supply of industrial gas to the HBIS Group as a result of the commencement of trial operation of Phase I and Phase II of Zhongqi Investment plant development is expected to drive increases in the transaction amount by approximately RMB440.2 million in 2021 and approximately RMB146.4 million in 2022, respectively.

Reasons for and benefits of entering into the Gas Products and Related Services Transactions

Our Group and the HBIS Group are long-standing partners. Ever since the first operating subsidiary of our Group which was initially set up in 2007, we have been supplying industrial gas to the HBIS Group in close proximity of the Tangshan area adjacent to the iron and steel production sites of the relevant members of the HBIS Group as their exclusive industrial gas supplier within each of such iron and steel production sites.

According to the Frost & Sullivan Report, the HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in 2019. Given the HBIS Group's dominant position in PRC's iron and steel industry and in particular in Hebei Province where the iron and steel industry is and is expected to continue to be dominated by only a few players, as well as its needs for industrial gas for iron and steel production, our Directors believe that the sales of industrial gas to the HBIS Group will provide us a steady source of income and that it is in the interests of our Company and our Shareholders as a whole to continue to carry out the Gas Products and Related Services Transactions after Listing.

Therefore, our Directors believe that it is in our best interests to enter into the Master Gas Products and Related Services Agreement such that we may regulate the existing and future Gas Products and Related Services Transactions under a common master arrangement.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the Gas Products and Related Services Transactions contemplated under the Master Gas Products and Related Services Agreement is more than 5%, the Gas Products and Related Services Transactions contemplated under the Master Gas Products and Related Services Agreement shall be subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied for a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Industrial Gas Products and Related Services Transactions contemplated under the Master Gas Products and Related Services Agreement. Please refer to the paragraphs headed "— Waiver from strict compliance with requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions" in this section of this prospectus for further details.

CONTINUING CONNECTED TRANSACTIONS

(2) Master Utilities and Related Services Agreement

Description and principal terms

On 17 June 2020, our Company and HBIS entered into a utilities and related services framework agreement (the “**Master Utilities and Related Services Agreement**”), pursuant to which, we agreed to procure from members of the HBIS Group utilities including, among others, water, electricity, steam and COG, related equipment (including electrical cabinet and cables) and services (including sewage treatment services) (the “**Utilities and Related Services**”) (the “**Utilities and Related Services Transactions**”) for a term commencing from the Listing Date and ending on 31 December 2022. The Master Utilities and Related Services Agreement will be automatically renewed for a successive period of three years thereafter subject to review and approval by the independent Shareholders after expiration of the three-year term and the compliance with the Listing Rules and provided always that our Company shall have the right to terminate at any time by giving to HBIS not less than thirty (30) Business Days’ prior written notice. We may from time to time enter into operational agreement(s) with members of the HBIS Group in relation to any Utilities and Related Services Transaction(s) upon, and subject to, the terms and conditions of the Master Utilities and Related Services Agreement (the “**Operational Utilities and Related Services Agreements**”). Each of our Company and HBIS agreed to procure their respective members to comply with the terms of the Master Utilities and Related Services Agreement.

The following table sets out the major existing Operational Utilities and Related Services Agreements as at the Latest Practicable Date:

Counterparty	Relationship with our Group	Nature of the transaction	Term
HBIS Tangshan Branch	Branch of HBIS Company	Procurement of utilities, including electricity, water, steam and COG	March 2007 to February 2037
Tangshan Stainless Steel	Subsidiary of HBIS Tangsteel	Procurement of utilities, including electricity, water and steam	March 2007 to February 2037
Tangshan Plate	Subsidiary of HBIS Company	Procurement of utilities, including electricity, water and steam	January 2015 to December 2029 and further extended to May 2033
HBIS Laosteel	a wholly-owned subsidiary of HBIS Xuansteel, which is a subsidiary of HBIS	Procurement of utilities, including electricity, water, steam and COG	15 years from date of commencement of operations of the Zhongqi Investment plant, or a date to be agreed by both parties

Despite that the Master Utilities and Related Services Agreement has an initial term of three years, the major existing Operational Utilities and Related Services Agreements were entered into on a long-term basis as set out above. The terms including the renewal arrangements of the major existing Operational Utilities and Related Services Agreements are in line with the terms of the major existing

CONTINUING CONNECTED TRANSACTIONS

Operational Gas Products and Related Services Agreements with the respective members of the HBIS Group. For further details of the terms of the major existing Operational Utilities and Related Services Agreements, please refer to the section headed “Business — Our business — Raw materials, utilities and suppliers” in this prospectus.

Each of the Operational Utilities and Related Services Agreements is and will be subject to the terms and conditions of the Master Utilities and Related Services Agreement. Upon expiration of the Master Utilities and Related Services Agreement and the annual caps and in the event that the approval from the independent Shareholders for its renewal or new annual caps is not granted, our Company will re-comply with the relevant Listing Rules or apply for waivers in respect of each of the Operational Utilities and Related Services Agreements, where applicable.

Pricing guidelines

The pricing of each of the Utilities and Related Services provided under the Master Utilities and Related Services Agreement shall be determined with reference to the following principles in ascending order:

- (i) *government-prescribed price*: if at any time, the government-prescribed price is applicable to any particular type of the Utilities and Related Services, such type of Utilities and Related Services shall be provided at the applicable government-prescribed price, whether national or local, such as the electricity price prescribed by the Development and Reform Commission of Hebei Province and water price prescribed by the Development and Reform Commission of Tangshan;
- (ii) *government-guided price*: if at any time, the government-guided price is applicable to any particular type of the Utilities and Related Services, such type of Utilities and Related Services shall be provided within the range of such government-guided price, whether national or local;
- (iii) *tendering process (where applicable)*: where the above two price standards are not available for a particular type of the Utilities and Related Services and any of the Utilities and Related Services Transactions is subject to tendering process in accordance with the relevant internal policies and procedures of members of our Group, the price of such type of the Utilities and Related Services shall be determined by tendering process in accordance with the relevant internal policies and procedures of members of our Group; and
- (iv) *market price*: where the above price standards are not available for a particular type of the Utilities and Related Services, the price of such type of Utilities and Related Services shall be determined with reference to the market price. In determining the market price, both parties shall take into consideration the following key factors:
 - (a) the prevailing market prices charged by Independent Third Parties for providing the same or similar type of Utilities and Related Services in the region where the type of the Utilities and Related Services is provided by relevant members of the HBIS Group;

CONTINUING CONNECTED TRANSACTIONS

- (b) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Utilities and Related Services to the Independent Third Parties; and
- (c) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Utilities and Related Services to other members of the HBIS Group.

Historical transaction amounts

For the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, our purchase of the Utilities and Related Services from the HBIS Group were approximately RMB662.8 million, RMB734.7 million, RMB853.8 million and RMB367.2 million, respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the Master Utilities and Related Services Agreement for the years ending 31 December 2020, 2021 and 2022 shall not exceed the amount set out below:

	Proposed annual cap for the year ending		
	31 December		
	2020	2021	2022
	RMB'million	RMB'million	RMB'million
Total fees	<u>887.8</u>	<u>1,339.0</u>	<u>1,496.0</u>

In arriving at the annual caps, our Directors considered the following major factors:-

- (i) the historical transaction amounts during the Track Record Period;
- (ii) the expected increase in our Group's demand for the utilities (including electricity, water and steam) and related equipment (including electrical cabinet and cables) required for the construction and the operation of three new ASUs under Phase I and Phase II of Zhongqi Investment plant development: (a) the first and second new ASUs are expected to commence trial operation in October 2020 and November/December 2020 respectively, leading to increases in our designed production capacity of oxygen of 60,000 Nm³/hr and 40,000 Nm³/hr from the respective commencement dates; (b) the third relocated ASU is expected to commence trial operation in the first quarter of 2021, leading to an increase in our designed production capacity of oxygen of 40,000 Nm³/hr from the commencement date; and (c) the fourth new ASU is expected to commence trial operation in the first half of 2022, leading to further increase in our designed production capacity of oxygen of 60,000 Nm³/hr. Taking into the account the decrease of our production capacity due to the relocation of ASUs and air compressors in the TTG Headquarters plant, the net impact of the Zhongqi Investment plant development on our total designed production capacity will be an increase of 127,000 Nm³/hr of oxygen. For details of the increase in the designed production capacity of each of our major industrial gas products, please refer to the section headed "Business — Our business — Our production facilities — Production plant under development" in this prospectus; and

CONTINUING CONNECTED TRANSACTIONS

- (iii) the agreed unit price for each type of the Utilities and Related Services under the existing Operational Utilities and Related Services Agreements subject to possible price adjustment, such as the electricity price fluctuation. As disclosed in the paragraphs headed “ — Non-exempt continuing connected transactions — (i) Master gas products and related services agreement — Pricing guidelines” in this section of this prospectus, (a) the unit price for electricity shall be determined with reference to the electricity price prescribed by the Development and Reform Commission of Hebei Province, and in case of any adjustment on the electricity price prescribed for the Tangshan area, the electricity shall be supplied to our Group at the cost price it is purchased from the power grid in the Tangshan area by the relevant members of the HBIS Group; (b) the unit price for water shall be determined with reference to the water price prescribed by the Development and Reform Commission of Tangshan; (c) the unit price for related equipment (including electrical cabinet and cables) shall be determined by tendering process in accordance with the relevant internal policies and procedures of members of our Group; and (d) the unit price for utilities other than electricity and water where the government-prescribed or guided price is not available as well as the price for the related services (including sewage treatment services) shall be determined with reference to the prevailing market price.

Taking into account the major factors set out above, the total fee payable to the HBIS Group by our Group with respect to the Master Utilities and Related Services Agreement is expected to be approximately RMB887.8 million in 2020. The anticipated increase in our Group’s demand for the utilities and related equipment from the HBIS Group for the construction and the operation of three new and one relocated ASUs under Phase I and Phase II of Zhongqi Investment plant development is expected to drive a further increase in the transaction amount by approximately RMB451.2 million in 2021 and approximately RMB157.0 million in 2022, respectively.

Reasons for and benefits of entering into the Utilities and Related Services Transactions

According to the Frost & Sullivan Report, it is an industry norm for on-site pipeline industrial gas suppliers to operate their industrial gas production facilities on or in close proximity of production site of their on-site customers and for such on-site customers to provide electricity, water or road access and other utilities and common facilities for their on-site pipeline industrial gas suppliers for the operation of the industrial gas production facilities to secure reliable, stable and continuous pipeline industrial gas production and supply.

The main reason we engage our pipeline industrial gas customers as utility suppliers is that we can share the utility distribution network already established by them and thereby we are able to save the construction costs required to separately build our own utility distribution network. Given that most of our industrial gas production facilities were injected by or acquired from HBIS Company with infrastructure of the utilities initially set up thereon by the local utilities authorities or by HBIS Company when we established, we have been procuring the utilities we require for the production of industrial gas through the existing connecting utility facilities, such as wires and pipes, of the relevant members of the HBIS Group. With our utility purchase contracts in place in conjunction with industrial gas supply contracts, we are able to maintain our profitability.

CONTINUING CONNECTED TRANSACTIONS

As the arrangements under the Master Utilities and Related Services Agreement are expected to continue after Listing and our Group's industrial gas production sites will still be on or adjacent to the operation sites of the members of the HBIS Group, our Directors believe that it will be more convenient and cost effective for our Group to procure the Utilities and Related Services from relevant members of the HBIS Group as compared to building our own infrastructure and procuring utilities directly from the utilities companies and other related services from Independent Third Parties.

Therefore, our Directors believe it is in our best interests to enter into the Master Utilities and Related Services Agreement such that we may regulate the existing and future Utilities and Related Services Transactions under a common master arrangement.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the Utilities and Related Services Transactions contemplated under the Master Utilities and Related Services Agreement is more than 5%, the Utilities Purchase Transactions contemplated under the Master Utilities and Related Services Agreement constitute non-exempted continuing connected transactions and are subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied for a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Utilities and Related Services Transactions contemplated under the Master Utilities and Related Services Agreement. Please refer to the paragraphs headed “— Waiver from strict compliance with requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions” in this section of this prospectus for further details.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Master Lease Agreement

Description and Principal Terms

On 17 June 2020, our Company and HBIS entered into a lease framework agreement (the “**Master Lease Agreement**”), pursuant to which, members of the HBIS Group shall lease to our Group the land use rights of certain parcels of land and certain buildings and common facilities thereon or in the proximity to the production sites of certain members of the HBIS Group for the operation of our industrial gas production facilities (the “**Lease Transactions**”) for a term commencing from the Listing Date and ending on 31 December 2022. The Master Lease Agreement will be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules and provided always that our Company shall have the right to terminate at any time by giving to HBIS not less than thirty (30) Business Days' prior written notice. We may from time to time after Listing enter into separate operational agreement(s) with members of the HBIS Group in relation to any Lease Transaction(s) under the Master Lease Agreement (the “**Operational Lease Agreements**”) and therefore the Lease Transactions under the Master Lease Agreement will be treated as continuing connected transactions of our Company upon Listing. The Operational Lease Agreements will be subject to the terms and conditions of the Master Lease Agreement. Each of our Company and HBIS agreed to procure their respective members to comply with the terms of the Master Lease Agreement.

CONTINUING CONNECTED TRANSACTIONS

Pricing guidelines

Each of the Operational Lease Agreements will set out the annual fees payable by our Group to the relevant members of the HBIS Group in respect of the lease of relevant land use rights and use of the relevant buildings with reference to the respective prevailing market rates per square meter of the surrounding comparable premises in the vicinity of such lands and buildings, taking into account their respective sizes.

Historical transaction amounts

Adopting IFRS16 consistently throughout the Track Record Period, for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the value of the right-of-use assets acquired by us from the HBIS Group were approximately nil, RMB1.0 million, RMB8.1 million and nil, respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the fees payable by us to the HBIS Group under the Master Lease Agreement for the years ending 31 December 2020, 2021 and 2022 shall not exceed the amount set out below:

	Proposed annual cap for the year ending		
	31 December		
	2020	2021	2022
	RMB'million	RMB'million	RMB'million
Total fees	<u>6.6</u>	<u>1.3</u>	<u>10.5</u>

After arm's length negotiation between the parties, in arriving at the annual caps, our Directors considered the following factors:-

- (i) the historical transaction amounts under the lease agreements between us and members of the HBIS Group during the Track Record Period;
- (ii) the total value of right-of-use assets arising from (a) two lease agreements already entered into in 2018 and 2019, respectively, that fall under the scope of IFRS16 on the basis that they will be renewed following their expiry in 2021 and 2022, respectively; and (b) one new Operational Lease Agreement expected to be entered into in 2020 for storage purpose, which is calculated by discounting the estimated total rental fee for the renewed lease agreements or newly entered Operational Lease Agreement(s) in the relevant year with discount rate which is our Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The value of right-of-use asset of the lease agreement to be renewed in 2021 is expected to be lower than that of the Operational Lease Agreement to be entered into in 2020 and the lease agreement to be renewed in 2022 as (a) each of the lease

CONTINUING CONNECTED TRANSACTIONS

agreements to be renewed or entered into in 2020, 2021 and 2022 has a term of three years; and (b) the annual rental fee payable under the lease agreement to be renewed in 2021 is less than that under the Operating Lease Agreement to be entered into in 2020 and the lease agreement to be renewed in 2022; and

- (iii) the expected annual increase in rental fee of 10% and a buffer taking into account the prevailing market condition of the surrounding comparable premises in the vicinity of the relevant lands and buildings, with terms no less favourable to us than terms available from Independent Third Parties.

Reasons for and benefits of entering into the Lease Transactions

According to Frost & Sullivan, it is an industry norm for a customer to provide or secure the parcels of land for its on-site industrial gas supplier for the construction and/or operation of gas production facilities. The existing lease agreements between us and members of the HBIS Group also provide that members of the HBIS Group shall ensure the provision of the relevant lands to our Group as the operation sites and shall be responsible for and compensate our Group for their failure to perform such obligations or any increasing cost incurred by our Group as a result of such failure.

Given the nature of on-site supply, our Group is required to operate its industrial gas production facilities on or in close proximity to the production site of its on-site customers, which are members of the HBIS Group. Therefore, our Directors believe it is in our best interests to enter into the Master Lease Agreement such that we may regulate the future Lease Transactions under a common master arrangement.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the Lease Transactions contemplated under the Master Lease Agreement is more than 0.1% and all the applicable percentage ratios are less than 5%, the Lease Transactions contemplated under the Master Lease Agreement are subject to annual review, reporting and announcement requirements, but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied for a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Lease Transactions contemplated under the Master Lease Agreement. Please refer to the paragraphs headed “— Waiver from strict compliance with requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions” in this section of this prospectus for further details.

CONTINUING CONNECTED TRANSACTIONS

(2) Master Miscellaneous Services Agreement

Description and principal terms

On 17 June 2020, our Company and HBIS entered into a miscellaneous services framework agreement (the “**Master Miscellaneous Services Agreement**”), pursuant to which, we agreed to outsource certain services (the “**Miscellaneous Services**”) including, among others, the maintenance of utilities facilities, canteen, healthcare, parking for the staff and visiting personnel, transportation of hazardous chemicals, labour despatch, project design and mapping, the maintenance of vehicles and greenery services (the “**Miscellaneous Services Transactions**”) to the HBIS Group for a term commencing from the Listing Date and ending on 31 December 2022. The Master Miscellaneous Services Agreement will be automatically renewed for a successive period of three years thereafter subject to the compliance with the Listing Rules and provided always that our Company shall have the right to terminate at any time by giving to HBIS not less than thirty (30) Business Days’ prior written notice. We may from time to time enter into operational agreement(s) with the members of the HBIS Group in relation to any Miscellaneous Services Transaction(s) upon, and subject to, the terms and conditions of the Master Miscellaneous Services Agreement (the “**Operational Miscellaneous Services Agreements**”). Each of our Company and HBIS agreed to procure their respective members to comply with the terms of the Master Miscellaneous Services Agreement.

Pricing guidelines

The pricing of each of the Miscellaneous Services provider under the Master Miscellaneous Services Agreement shall be determined with reference to the following principles in ascending order:

- (i) *tendering process (where applicable)*: where any of the Miscellaneous Services Transactions is subject to tendering process in accordance with relevant internal policies and procedures of members of our Group, the price of such type of Miscellaneous Services shall be determined by tendering process in accordance with relevant internal policies and procedures of members of our Group; and
- (ii) *market price*: where the above price standard is not available for a particular type of Miscellaneous Services, the price of such type of Miscellaneous Services shall be determined with reference to the market price. In determining the market price, both parties shall take into consideration the following key factors:
 - (a) the prevailing market prices charged by Independent Third Parties for providing the same or similar type of Miscellaneous Services in the region where the type of Miscellaneous Services is provided by relevant members of the HBIS Group;
 - (b) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Miscellaneous Services to Independent Third Parties; and
 - (c) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Miscellaneous Services to other members of the HBIS Group.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

For the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the fees incurred by us to the HBIS Group for the Miscellaneous Services were approximately RMB8.0 million, RMB7.5 million, RMB11.5 million and RMB5.3 million, respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the fees payable by us to the HBIS Group for the Miscellaneous Services for the years ending 31 December 2020, 2021 and 2022 shall not exceed the amounts set out below:

	Proposed annual cap for the year ending		
	31 December		
	2020	2021	2022
	RMB'million	RMB'million	RMB'million
Total fees	<u>19.0</u>	<u>22.8</u>	<u>25.1</u>

After arm's length negotiation between the parties, in arriving at the annual caps, our Directors considered the following major factors:

- (i) the historical transaction amounts during the Track Record Period; and
- (ii) the estimated 20%, 20% and 10% increase in demand of the Miscellaneous Services for 2020, 2021 and 2022, respectively, taking into account the demand for (a) ad hoc project design, surveying and mapping services from the HBIS Group required for the (aa) construction and installation of three new ASUs under Phase I and Phase II of Zhongqi Investment plant development with the construction and installation of the first, second and fourth new ASUs expected to complete before October 2020, November/December 2020 and in the first half of 2022 respectively; (ab) the relocation and installation of the third relocated ASU expected to complete before the first quarter of 2021, resulting in substantial increase in the relevant transaction amounts in the years of 2020, 2021 and 2022; and (b) canteen, health care service, vehicle and despatched labour from the HBIS Group for the development and operation of the of Zhongqi Investment plant development. For details of the production plan under Zhongqi Investment plant development, please refer to the section headed "Business — Our business — Our production facilities — Production plant under development" in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Reasons for and benefits of entering into the Miscellaneous Services Transactions

As our Group has been and will be procuring Utilities from the HBIS Group as set out in the paragraphs headed “— Non-exempt continuing connected transactions - (2) Master Utilities and Related Services Agreement” in this section of this prospectus and through the facilities connecting to the infrastructure of the HBIS Group, our Directors consider that it would be commercially sensible to outsource the relevant Utilities facilities maintenance services to the HBIS Group as they would be more familiar and in a better position to deal with the wear and tear and any malfunctions of the facilities.

Further, as we are required to operate our gas production facilities on or in the proximity of the production site of our on-site customers, which are members of the HBIS Group, it is more convenient for our Group to procure the canteen, health care, parking, maintenance of vehicles, greenery and other miscellaneous services from the HBIS Group.

With regards to the transportation of hazardous chemicals services, as advised by our PRC Legal Advisers, persons engaged in road transportation of dangerous goods must apply for a permit (the “**Permit**”) from relevant authority. Save as disclosed in the section headed “Business — Regulatory compliance” in this prospectus, while our Group has obtained all relevant licenses and permits for production of hazardous chemicals under PRC laws and regulations, we do not possess the Permit for transportation of certain liquefied industrial gas products produced by our Group which are classified as hazardous chemicals due to the restriction on foreign enterprise holding the Permit imposed by PRC laws in force at the time when our Company commenced production of hazardous chemicals. As the member of the HBIS Group has the Permit, our Group has been procuring the transportation services from its vehicle fleets to deliver those hazardous liquefied industrial gas products to our customers. As the restriction on foreign enterprise holding the Permit has been lifted, our Group is in the process of preparing the application for the Permit. We will terminate the relevant arrangement with the HBIS Group once we obtain the Permit.

With regards to the labour despatch services, we may require additional labour for certain temporary, auxiliary or substitutable positions and a member of the HBIS Group has the qualification to provide such labour despatch services, so it is convenient and reasonable for us to procure such services from them on normal commercial terms or better.

Therefore, our Directors believe it is in our best interests to enter into the Master Miscellaneous Services Agreement such that we may regulate the existing and future Miscellaneous Services Transactions under a common master arrangement.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the Miscellaneous Services Transactions contemplated under the Master Miscellaneous Services Agreement is more than 0.1% and all the applicable percentage ratios are less than 5%, the Miscellaneous Services Transactions contemplated under the Master Miscellaneous Services Agreement are subject to annual review, reporting and announcement requirements, but exempt from circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. We have applied for a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in

CONTINUING CONNECTED TRANSACTIONS

respect of the Miscellaneous Services Transactions contemplated under the Master Miscellaneous Services Agreement. Please refer to the paragraphs headed “— Waiver from strict compliance with requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions” in this section of this prospectus for further details.

WAIVER FROM STRICT COMPLIANCE WITH REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES IN RESPECT OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As each of the Gas Products and Related Services Transactions, Utilities and Related Services Transactions, Lease Transactions and Miscellaneous Services Transactions is expected to be carried out after Listing in our ordinary and usual course of business on a continuing and recurring basis, our Directors consider that strict compliance with (i) the announcement and independent shareholders’ approval requirements in respect of the Gas Products and Related Services Transactions and Utilities and Related Services Transactions; and (ii) the announcement requirement in respect of the Lease Transactions and Miscellaneous Services Transactions would impose additional administrative costs and would at times be impracticable.

Pursuant to Rule 14A.105, we have thus applied for, and the Stock Exchange has granted us, a waiver from strict compliance with (i) the announcement and independent shareholders’ approval requirements in respect of the Gas Products and Related Services Transactions and Utilities and Related Services Transactions and (ii) the announcement requirement in respect of the Lease Transactions and Miscellaneous Services Transactions provided that the total value of transactions under the respective Master Gas Products and Related Services Agreement, Master Utilities and Related Services Agreement, Master Lease Agreement and Master Miscellaneous Services Agreement (the “**Master Agreements**”) for each of the years ending 31 December 2020, 2021 and 2022 will not exceed the relevant proposed annual caps set out above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transactions, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when any of the Master Agreements is renewed or when there is a material change to the terms of any of the Master Agreements.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the non-exempt continuing connected transactions, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable timeframe.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Master Agreements have been and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in our interests and the interests of our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

CONFIRMATION FORM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Company relating to the continuing connected transactions set out in this section, and have discussed such transactions with us and our senior management. Based on the aforementioned due diligence effort, the Sole Sponsor is of the view that the continuing connected transactions contemplated under the Master Agreements, which have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole and have been and will be entered into in the ordinary and usual course of business of our Group. The Sole Sponsor is also of the view that the abovementioned proposed annual caps for these continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 39.01% by CGI and 35.99% by HK Huitang Zhihe.

CGI is owned as to (i) 80% indirectly through Huang He by China Infrastructure acting through its general partner CITP GP; and (ii) 20% by OxyChina, which is owned as to 70% by Mr. Chen, our executive Director and Chairman and 10% by each of Mr. Bai, our chief financial controller, Mr. Hu and Mr. Zhou, who are both Independent Third Parties. As such, for the purpose of the Listing Rules, each of CGI, Huang He, China Infrastructure, CITP GP, OxyChina and Mr. Chen is considered to be our Controlling Shareholder.

Each of CGI and Huang He is an investment holding company. China Infrastructure has a broad portfolio of investment and it does not actively carry on any business activity other than making investments. Other than our Company, none of its current investment portfolio is in the business of production and supply of industrial gas. Each of CGI, Huang He and CITP GP for themselves and on behalf of China Infrastructure confirms that, apart from the business operated by members of our Group, each of them and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with business of our Group, and would require disclosure pursuant to the Listing Rules.

OxyChina is an investment holding company. Each of OxyChina and Mr. Chen confirms that, apart from the business operated by members of our Group, each of them and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with business of our Group, and would require disclosure pursuant to the Listing Rules.

HK Huitang Zhihe is wholly-owned by SH Huitang Zhihe which in turn is wholly owned by HBIS Company. HBIS, which is directly wholly-owned by Hebei Province SASAC, controls approximately 62.22% of the equity interest in HBIS Company through its subsidiaries. As such, for the purpose of the Listing Rules, each of HK Huitang Zhihe, SH Huitang Zhihe, HBIS Company and HBIS is considered to be our Controlling Shareholder.

Each of HK Huitang Zhihe and SH Huitang Zhihe is an investment holding company. Each of HK Huitang Zhihe and SH Huitang Zhihe confirms that, apart from the business operated by members of our Group, it and its close associates and/or companies controlled by it do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with business of our Group, and would require disclosure pursuant to the Listing Rules. Please refer to the paragraphs headed “— Implications under Rule 8.10 of the Listing Rules and delineation of business between our Group and the HBIS Group” in this section of this prospectus for details of the principal businesses of the HBIS Group and the relationships between our Group and the HBIS Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

IMPLICATIONS UNDER RULE 8.10 OF THE LISTING RULES AND DELINEATION OF BUSINESS BETWEEN OUR GROUP AND THE HBIS GROUP

Principal business of our Group

We mainly engaged in (i) the supply of pipeline industrial gas to members of the HBIS Group in Hebei Province; (ii) supply of liquefied industrial gas mainly to offsite Independent Third Parties through road tanker delivery; and (iii) LNG-related business which includes the supply of LNG and provision of gas transmission service. Our industrial gas products included (i) oxygen, nitrogen and argon; and (ii) hydrogen and carbon dioxide in smaller amounts. Please refer to the section headed “Business — Our business” in this prospectus for further details of the principal business of our Group.

Principal businesses of the HBIS Group

The HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in 2019, according to the Frost & Sullivan Report. Companies under the HBIS Group primarily produce and sell iron and steel products which are used in various industries such as automobiles, petroleum, railways, bridges, construction, power, transportation, machinery, shipbuilding, light industry, home appliances, pipelines, warehousing, electrical and mechanical, canned products, welding, environmental protection, steel structure, chemical industry, water conservancy, and other applications. HBIS Company, one of the major operating subsidiaries of the HBIS Group, has been listed on the Shenzhen Stock Exchange since March 1997 (Stock Code: 000709).

According to the Frost & Sullivan Report, industrial gas is one of the key raw components for iron and steel production. In order to secure the stable supply of industrial gas, almost all of the large iron and steel enterprises in the PRC require on-site industrial gas supply for their iron and steel production. Therefore, apart from procuring industrial gas from our Group, the HBIS Group also owns certain industrial gas production related assets, such as ASUs and workshops, mainly to support the iron and steel production of the members of the HBIS Group. Please refer to the paragraphs headed “— Business delineation between our Group and the HBIS Group” in this section of this prospectus for further details of the industrial gas production of the HBIS Group.

Business delineation between our Group and the HBIS Group

Our Directors are of the view that there is a clear delineation between the business of our Group and the HBIS Group, on the basis of the following:

According to the Frost & Sullivan Report, our Group was the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019. As an industrial gas supplier, our industrial gas products include oxygen, nitrogen, argon, hydrogen and carbon dioxide. We derive our revenue mainly from the production and sales of industrial gas, with all of the pipeline industrial gas

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

sold to the members of the HBIS Group and most of the liquefied industrial gas sold to the Independent Third Party customers who are traders as well as industrial and commercial end-users. Further, we also have a sales and marketing team to serve our existing customers and explore potential business opportunities.

The HBIS Group, comprising HBIS and its subsidiaries, was the second largest state-owned iron and steel group in the PRC and the largest state-owned iron and steel group in Hebei Province in terms of crude steel production volume in 2019, according to the Frost & Sullivan Report. As a steelmaker, the HBIS Group derives its revenue mainly from the production and sales of iron and steel. According to the information provided by the HBIS Group, the HBIS Group does not have any separate industrial gas supplier companies. The industrial gas assets of the HBIS Group are directly owned by the iron and steel member companies as ancillary facilities to produce industrial gas primarily for their own use in the iron and steel production. To the best knowledge of our Directors, (i) the industrial gas produced by certain members of the HBIS Group will only be sold to third parties on an ad hoc basis if there is any excess industrial gas after the demands of the iron and steel member companies of the HBIS Group are fully met; and (ii) during the Track Record Period, the HBIS Group did not sell any pipeline industrial gas to any third party customer and the liquefied industrial gas sold by the HBIS Group to third party customers was immaterial. Furthermore, the HBIS Group does not have its own sales and marketing team for its industrial gas products, as the supply of industrial gas is not its main revenue stream.

Since almost all of the industrial gas produced by the HBIS Group is for internal use by their member companies to produce iron and steel, our Directors therefore do not expect any competition between the businesses of our Group and the HBIS Group in any material respect after Listing.

Given the clear difference between the principal businesses of our Group and the HBIS Group, our Directors are of the view that there is clear delineation between their businesses and that there is no competition between the business of our Group with that of the HBIS Group.

Notwithstanding the clear delineation of business between our Group and the HBIS Group, HBIS has executed a non-competition undertaking in favour of our Group on 15 June 2020 (the “**Non-Competition Undertaking**”) to the effect that it will not, and will procure its subsidiaries not to, among others, engaged in any activities which are or may be in competition, either directly or indirectly, with those of our Group. Please refer to the paragraphs headed “— Implications under Rule 8.10 of the Listing Rules and delineation of business between our Group and the HBIS Group — Non-Competition Undertaking” in this section of this prospectus for details.

Further, our Directors confirm that none of them or any of their close associates has an interest in any business which competes or is likely to compete, directly or indirectly, with the business of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Non-Competition Undertaking

HBIS has confirmed and undertaken to us in the Non-competition Undertaking that the industrial gas assets of HBIS and its subsidiaries (the “**Industrial Gas Assets**”) are primarily ancillary facilities for the iron and steel production of HBIS and its subsidiaries and the industrial gas produced with such Industrial Gas Assets is primarily distributed to subsidiaries of HBIS through pipelines for their own use.

As confirmed in the Non-competition Undertaking, HBIS and its subsidiaries have not engaged in any activities which are in competition, either directly or indirectly, with those of our Group. HBIS and its subsidiaries also undertake not to, either directly or indirectly, engage in any activities which are or may be in competition with the business of our Group in the future.

Upon Listing, in the event that our Group makes a request to acquire the Industrial Gas Assets, either in whole or in part, HBIS shall transfer the relevant Industrial Gas Assets to our Group on a preferential basis at a fair consideration to be evaluated by an appraiser. Similarly, in the event that HBIS intends to dispose of or any third party offers to HBIS to acquire the Industrial Gas Assets, either in whole or in part, our Group shall have the right of first refusal under the same conditions.

In the event that any adjustments of national policy(ies) or other force majeure event(s) lead(s) to inevitable competition between the businesses of our Group and those of HBIS and its subsidiaries in the future (the “**Potential Competing Businesses**”), HBIS and its subsidiaries shall forthwith adopt measures in a timely manner to transfer the Potential Competing Businesses to our Group on a preferential basis under the same conditions or cease such Potential Competing Businesses.

HBIS has further undertaken that it shall fully respect our Group as an independent legal person and ensure our independent operation and our autonomy in decision-making.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on our business independent of our Controlling Shareholders and their respective associates upon Listing:

Management Independence

Our Board consists of three executive Directors, namely Mr. Chen, Mr. Yao Li (“**Mr. Yao**”) and Ms. Gao Guimin (“**Ms. Gao**”), three non-executive Directors, namely Mr. Zhang Aimin (“**Mr. Zhang**”), Mr. Lai Yui (“**Mr. Lai**”) and Ms. Ng Shuk Ming (“**Ms. Ng**”), and three independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Xiao Huan Wei and Ms. Li Chun Elsy. The board of our major operating subsidiary, TTG, consists of six directors, namely Mr. Chen, Mr. Yao, Ms. Gao, Mr. Zhang, Mr. Lai and Ms. Ng. Our Group’s senior management team, which is led by a team of experienced senior personnel with expertise in the business of our Group, consists of Mr. Li Libing, Mr. Bai, Mr. Liu Yang, Mr. Li Shuhui, Mr. Li Xiaojun and Mr. Hui Guangyu.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Relationship with the HBIS Group

Upon Listing, Mr. Yao and Mr. Zhang, who are our Directors and the directors of TTG, will continue to hold positions within members of the HBIS Group as set out below:

<u>Name of Director</u>	<u>Positions within our Group</u>	<u>Positions within the HBIS Group</u>
Mr. Yao	(i) executive Director and vice chairman of the Board of our Company; and	(i) director and vice general manager of HBIS Tangsteel;
	(ii) director of TTG	(ii) legal representative and director of SH Huitang Zhihe; and
		(iii) director of HK Huitang Zhihe
Mr. Zhang	(i) non-executive Director of our Company; and	(i) deputy commander of project management department and chief accountant of HBIS Laosteel; and
	(ii) director of TTG	(ii) supervisor of HBIS Tangsteel Pipeline Company Limited (唐山鋼鐵集團管業有限公司), a wholly owned subsidiary of HBIS Tangsteel

Notwithstanding the foregoing, we are of the view that our Board and the board of directors of TTG can operate and function independently from the HBIS Group for the following reasons:

- Ms. Gao, being our executive Director and a director of TTG, will terminate her current employment relationships with two subsidiaries of HBIS Tangsteel, member of the HBIS Group, prior to Listing. Ms. Gao will devote all of her time to the day-to-day management and operation of our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- Mr. Yao, being our executive Director and a director of TTG, has confirmed that he will devote sufficient time and efforts to the day-to-day management and operation of our Company and TTG. As a director and vice general manager of HBIS Tangsteel, Mr. Yao is primarily responsible for non-steel production business of HBIS Tangsteel (including, among others, public facilities, gases, energies, logistics, and hotel management), formulating and developing non-steel industry strategies and plans, risk management and operational policies and procedures, reviewing the periodical operation plans and the performance of the non-steel units and building the business cooperation for HBIS Tangsteel;
- Mr. Zhang, being our non-executive Director and a director of TTG, is not involved in the day-to-day management and operation of our Group. Taking into account that he is not involved in the daily management and operation of TTG, we consider that his role in TTG is non-executive in nature. Mr. Zhang is responsible for supervising the overall management and operation of our Company and TTG as a director with non-executive function. As the deputy commander of the project management department and chief accountant of HBIS Laosteel, Mr. Zhang is primarily responsible for financial capital management of HBIS Laosteel projects; and as a supervisor of HBIS Tangsteel Pipeline Company Limited, Mr. Zhang is responsible for carrying out roles as set out in applicable PRC laws, including but not limited to overseeing the financial matters, supervising the behaviours of directors and senior management and calling for special general meetings of shareholders;
- in the event that any conflict of interests arises between our Company or TTG and the HBIS Group or where any member of the HBIS Group is otherwise materially interested, including but not limited to the decision making on the ongoing or any future connected transactions (if any) between our Group and the HBIS Group, Mr. Yao and Mr. Zhang will not be counted towards the quorum for such board meeting and will abstain from voting at the relevant meeting of the Board or the board of directors of TTG or the board of directors of the relevant member of the HBIS Group (as the case may be). Further, as Mr. Chen and Ms. Gao, being our executive Directors and directors of TTG independent from the HBIS Group, have worked with our Group for a long period of time, we believe that they have the requisite knowledge, industry experience and expertise to advise on the transactions and business decisions of our Group, as and when Mr. Yao and Mr. Zhang are required to abstain from voting. For details of the background and experience of Mr. Chen and Ms. Gao, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus. Despite their positions held in HBIS Tangsteel and HBIS Laosteel, Mr. Yao and Mr. Zhang do not sit on the board of directors of HBIS Tangsteel and HBIS Laosteel and they have no right to vote at their board meetings; and
- save as disclosed above, none of our Directors or directors of TTG hold any directorship or senior management position or otherwise have any employment relationship with the HBIS Group. As (i) only one out of our three executive Directors and two out of our nine Directors; and (ii) only two out of six directors of TTG hold management positions in the HBIS Group, the majority of the executive Directors and the majority of the Board and the board of directors of TTG are independent from the HBIS Group. There are sufficient number of executive Directors, non-executive Directors and independent non-executive Directors and directors of TTG who are independent from the HBIS Group to ensure that our Board and the board of TTG are able to perform its functions properly.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Relationship with our other Controlling Shareholders

Upon Listing, Mr. Chen, Mr. Lai and Ms. Ng who are our Directors and the directors of TTG, will continue to hold positions within our Controlling Shareholders (other than the HBIS Group) as set out below:

<u>Name of Director</u>	<u>Positions within our Group</u>	<u>Position within our Controlling Shareholder</u>
Mr. Chen	(i) Chairman of the Board, executive Director of our Company; and (ii) director of TTG	(i) director of CGI; and (ii) director of OxyChina
Mr. Lai	(i) non-executive Director of our Company; and (ii) director of TTG	(i) director of CGI; and (ii) director of Huang He
Ms. Ng	(i) non-executive Director of our Company; and (ii) director of TTG	director of CGI

Notwithstanding the foregoing, we are of the view that our Board and the board of directors of TTG can operate and function independently from CGI, OxyChina and Huang He for the following reasons:

- Mr. Chen, being our Chairman and executive Director and a director of TTG, has confirmed that he will devote fully his time and efforts to the day-to-day management and operation of our Company and TTG as each of CGI and OxyChina is an investment holding company and does not have any business operation;
- Each of Mr. Lai and Ms. Ng, being our non-executive Director, is not involved in the day-to-day management or operation of our Company. Taking into account that neither of them is involved in the daily management and operation of TTG, we consider that their roles in TTG are non-executive in nature. Each of Mr. Lai and Ms. Ng is responsible for supervising the overall management and operation of our Company and TTG as a director with non-executive function. Further, as each of CGI and Huang He is an investment holding company and does not have any business operation, each of Mr. Lai and Ms. Ng has confirmed that he/she will devote sufficient time and efforts to discharge his/her duties to our Company and TTG;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- each of CGI, OxyChina and Huang He has confirmed that apart from the business operated by members of our Group, each of them and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with business of our Group. In the event that any conflict of interests arises between (i) our Company or TTG and (ii) CGI, OxyChina or Huang He or where CGI, OxyChina or Huang He is otherwise materially interested, Mr. Chen, Mr. Lai and Ms. Ng (as the case maybe) will not be counted towards the quorum for such board meeting and will abstain from voting at the relevant meeting of the board of directors; and
- save as disclosed above, none of our other Directors or directors of TTG hold any directorship or senior management positions in or otherwise have any employment relationship with CGI, OxyChina and Huang He.

Further to the reasons set out above, none of the senior management of our Company or any member of our Group hold any directorship or senior management positions or otherwise have any employment relationship with the HBIS Group or any of our other Controlling Shareholders. We have an independent senior management team with extensive experience and expertise in our business to independently implement our Group's business plans and strategies in the daily operation. For details of the background and experience of our senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

Save that Mr. Chen and Mr. Bai are interested in 70% and 10% of the shares in OxyChina, respectively, none of our Directors or members of our senior management or directors of any member of our Group has any shareholding interest in any member of the HBIS Group or any of our other Controlling Shareholders.

The three independent non-executive Directors will also provide checks and balances on our Board's decision-making on material transactions, connected transactions and other transactions involving any actual or potential conflict of interests with their experience and expertise and we will engage additional independent consultants to provide advice to the independent non-executive Directors where necessary.

Our Company will adopt corporate governance measures to manage potential conflict of our Directors' interests after Listing in accordance with the requirements of the Listing Rules. For details, please refer to the paragraphs headed "—Corporate governance measures" in this section of this prospectus.

As part of the preparation for Listing, our Directors have received training on their responsibilities as directors of a Hong Kong listed company. Each of our Directors is fully aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest.

Save as disclosed above, none of our Directors or directors of any member of our Group hold any directorship or senior management positions or otherwise have any employment relationship with any of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the reasons set out above, we are of the view that the Board and the senior management of our Company and members of our Group can operate and function independently from our Controlling Shareholders.

Operational Independence

During the Track Record Period, our Group entered into lease agreements for the lease of the land use rights of certain parcels of land (the “**Lands**”) and certain buildings and common facilities thereon or in the proximity to the production sites of certain members of the HBIS Group for the operation of our industrial gas production facilities (the “**Lease Agreements**”). Such Lease Agreements will continue upon Listing. Our Directors are of the view that the Lease Agreements, the operational independence of our Group and the relationship between our Group and the HBIS Group are unlikely to materially adversely change or terminate due to the following reasons:

Industry norm

According to Frost & Sullivan, it is an industry norm for a customer to provide or secure the parcels of land for its on-site industrial gases supplier for the construction and/or operation of industrial gas production facilities. The Lease Agreements entered into between our Group and members of the HBIS Group also provide that members of the HBIS Group shall ensure the provision of the lands to our Group as the operation sites and shall be responsible for and compensate our Group for their failure to perform such obligations or any increasing cost incurred by our Group as a result of such failure.

Mutual, complementary and inseparable relationship

Further, as confirmed by Frost & Sullivan, the relationship between the iron and steel companies and industrial gas suppliers are generally considered to be mutual, complementary and inseparable. As industrial gas is one of the important raw components for iron and steel production, in order to secure the supply of industrial gases, almost all of the large iron and steel enterprises in the PRC have their on-site industrial gas supply through pipelines for their own iron and steel production. According to Frost & Sullivan, there is a trend for iron and steel enterprises to outsource their industrial gas supply to third party suppliers to streamline their business. In the developed countries such as the U.S., outsourcing accounts for approximately 80% of the total industrial gas market. Meanwhile, only approximately 50% of the iron and steel enterprises outsource their industrial gas supply to third parties in China, which is significantly lower than that of the U.S.. The outsourcing rate in China increased from 49.3% in 2014 to 54.6% in 2019. Outsourcing industrial gas could improve efficiency, reduce cost and take advantage of the relevant expertise of such third-party industrial gas suppliers. For example, for a self-operated project with a capability of 1 million cubic meters per hour, around 60 operators are needed to manipulate the equipment. As a comparison, only around 20 operators are needed if the project is operated by an experienced third-party industrial gas supplier. Also, it is safer for experienced third-party suppliers to operate professional equipment. Thus, an increasing number of iron and steel enterprises choose to outsource their industrial gas supply.

Based on the Frost & Sullivan Report, our Group is the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019 with the ability to meet large-scale supply needs. There are also limited industrial gas suppliers that can meet the needs of the HBIS Group in Hebei

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Province or in close proximity to the Tangshan area. Our Group and the HBIS Group are long-standing partners. Ever since the first operating subsidiary of our Group which was initially set up in 2007, we have been supplying industrial gas to members of the HBIS Group in close proximity of the Tangshan area adjacent to the iron and steel production sites of the relevant members of the HBIS Group as their exclusive industrial gas supplier within such iron and steel production sites. Our Directors considered that it is not commercially feasible for the HBIS Group to build new pipelines connecting to other industrial gas suppliers or construct or acquire new industrial gas production facilities considering the time and costs that will be involved and the interruption to the HBIS Group's operation and it is also inconceivable that the HBIS Group would terminate the business relationship with our Group as their members' production will then be materially and adversely affected.

Given such mutual and complementary nature of the business relationship between the HBIS Group and our Group, our Directors are of the view that it is unlikely for the HBIS Group to terminate the Lease Agreements so as to ensure the continuing and stable on-site industrial gas supply by our Group.

Normal commercial terms

Our Directors confirm that the Operational Lease Agreements were or shall be entered into on arm's length basis and on fair and reasonable terms with the rents determined with reference to the prevailing market rates.

For details of the Operational Lease Agreements, please refer to the section headed "Continuing Connected Transactions — Partially Exempt Continuing Connected Transactions — (1) Master Lease Agreement" in this prospectus. On the basis of the above, our Directors are of the view that notwithstanding the Operational Lease Agreements, the operation of our Group does not materially rely on the HBIS Group, but rather the relationship is mutual and complementary and it is consistent with the industry norm.

Our Group owns and manages all of our operating facilities relating to our main business independently from our Controlling Shareholders and their respective associates. The electricity required for the operation of facilities is procured from the relevant members of the HBIS Group and provided to us as needed. According to Frost & Sullivan, (i) it is an industry norm for on-site pipeline industrial gas suppliers to operate its gas production facilities on or in close proximity of the production site of its on-site customers and for such on-site customers, in turn, to provide, among others, the electricity, for its on-site pipeline industrial gas supplier for the operation of the industrial gas production facilities to secure reliable, stable and continuous pipeline industrial gas production and supply; and (ii) as early as on the project design and construction stages, the on-site customer will take into account the electricity required for the operation and facilities of the on-site pipeline industrial gas suppliers in order to provide the industrial gas they need for their expected production capacity. For details of the relevant arrangement and reasons, please refer to the section headed "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — (2) Master Utilities and Related Services Agreement" in this prospectus. We believe that we have sufficient operational capacity in terms of capital, facilities, production machinery and equipment and employees to operate our business independently, with the independent right to make operational decisions and implement such decisions.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The licenses and permits held by our Group as at the Latest Practicable Date for our business operations have been obtained and maintained by our Group independently from our Controlling Shareholders.

Other than the transactions set out in the section headed “Continuing Connected Transactions” in this prospectus, we have independent access to customers and suppliers and an independent management team to handle our day-to-day operations.

Our organisational structure also consists of separate departments with specific area of roles and responsibilities and we have also established a set of internal control procedures to facilitate the effective operations of our business.

During the Track Record Period, certain associates of our Controlling Shareholders entered into related party transactions with our Group. Significant related party transactions are disclosed in Note 36 to the Accountant’s Report set out in Appendix I to this prospectus. Such transactions, if continued upon Listing, will constitute continuing connected transactions of our Company which terms will be fair and reasonable and in the interests of our Group and our Shareholders as a whole. Please refer to the section headed “Continuing Connected Transactions” in this prospectus for further details of the continuing connected transactions.

Financial Independence

As at the Latest Practicable Date, save and except for the dividends payable declared in 2018 of approximately RMB14.9 million and in 2020 of approximately RMB267.7 million which will be paid upon Listing, all loans, advances and balances due to our Controlling Shareholders (other than in the ordinary and usual course of business of our Group) and their respective associates had been fully settled. Our Directors confirm that we will pay such dividend to the relevant Controlling Shareholders prior to Listing. During the Track Record and up to the Latest Practicable Date, our Group has been able to obtain bank facilities and overdrafts without any guarantee or securities provided by our Controlling Shareholders or their respective associates and has been able to operate independently financially. We have sufficient capital and banking facilities to operate our business independently from our Controlling Shareholders and their respective associates. Further, we have established our own finance department with a team of independent financial staff, who are responsible for financial control, accounting, financial reporting and credit functions of our Group independent from our Controlling Shareholders. We can make financial decisions independently according to our own business needs and our Controlling Shareholders do not intervene with our use of funds. We have also established independent standardised financial and accounting system and a complete financial management system. In addition, we maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable tax laws and regulations, rather than on a combined basis with our Controlling Shareholders or other enterprises under their respective control. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate Governance Measures

Our Company will adopt the following corporate governance measures to manage any potential conflict of interests with our Controlling Shareholders, their respective subsidiaries or entities controlled by them, and to safeguard the interests of our Shareholders:

- In preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, except for certain exceptions permitted under the Listing Rules and the Articles, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its associates (other than our Company or any member of our Group) shall not vote on any board resolution regarding any transactions proposed to be entered into between any member of our Group and the Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;
- the management structure of our Group includes an audit committee, a remuneration committee and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- our independent non-executive Directors will review, at least on an annual basis or as requested by relevant regulatory authorities, the compliance with the Non-competition Undertaking;
- we will disclose the decisions and related basis on matters reviewed by our independent non-executive Directors relating to the compliance and implementation of the Non-competition Undertaking in the annual reports of our Company;
- if our independent non-executive Directors consider that our Controlling Shareholders, any of their subsidiaries or entities controlled by them, compete or may compete with us in any business, our Company may request our Controlling Shareholders to take such measures to eliminate such competition so that it will no longer constitute competition or to prevent such potential competition;
- we have appointed China Everbright Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance; and
- pursuant to the Code of Corporate Governance Practices and Corporate Governance Report in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital or shares carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Shares held as at the Latest Practicable Date, and prior to the Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Percentage (approximately)	Number	Percentage (approximately)
HK Huitang Zhihe ⁽²⁾	Beneficial owner	50,664,978 ^(L)	47.99%	431,904,000 ^(L)	35.99%
SH Huitang Zhihe ⁽²⁾	Interest in a controlled corporation	50,664,978 ^(L)	47.99%	431,904,000 ^(L)	35.99%
HBIS Company ⁽²⁾	Interest in a controlled corporation	50,664,978 ^(L)	47.99%	431,904,000 ^(L)	35.99%
HBIS Hansteel ⁽²⁾	Interest in a controlled corporation	50,664,978 ^(L)	47.99%	431,904,000 ^(L)	35.99%
HBIS ⁽²⁾	Interest in a controlled corporation	50,664,978 ^(L)	47.99%	431,904,000 ^(L)	35.99%
CGI ⁽³⁾	Beneficial owner	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Huang He ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
China Infrastructure ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
CITP GP ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
BOCI Investment Limited ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
BOCI International Holdings Limited ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Bank of China Limited ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Springleaf Investments Pte. Ltd. ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held as at the Latest Practicable Date, and prior to the Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Percentage (approximately)	Number	Percentage (approximately)
Anderson Investments Pte. Ltd. ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Thomson Capital Pte. Ltd. ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Tembusu Capital Pte. Ltd. ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%
Temasek Holdings (Private) Limited ⁽³⁾	Interest in a controlled corporation	54,910,472 ^(L)	52.01%	468,096,000 ^(L)	39.01%

Notes:

- (1) The letter “L” denotes the Shareholder’s long position in our Shares.
- (2) As at the Latest Practicable Date, HK Huitang Zhihe was wholly-owned by SH Huitang Zhihe which in turn was wholly owned by HBIS Company, which in turn was directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel were owned by HBIS as to 100%, 100% and 92.99%, respectively. As such, HBIS through its subsidiaries together indirectly held approximately 62.22% equity interest in HBIS Company. By virtue of the SFO, each of SH Huitang Zhihe, HBIS Company, HBIS Hansteel and HBIS is deemed to be interested in the same number of Shares held by HK Huitang Zhihe.
- (3) As at the Latest Practicable Date, CGI was owned as to 80% and 20% by Huang He and OxyChina respectively. Huang He was wholly owned by China Infrastructure, whose general partner is CITP GP, which was held as to:
- (i) 60% by BOCI Investment Limited, which was wholly owned by BOCI International Holdings Limited, which was in turn wholly owned by Bank of China Limited whose shares are listed and traded on the Main Board (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988); and
 - (ii) 40% by Springleaf Investments Pte. Ltd., which was wholly owned by Anderson Investments Pte. Ltd., which was in turn wholly owned by Thomson Capital Pte. Ltd.. Thomson Capital Pte. Ltd. was wholly owned by Tembusu Capital Pte. Ltd., which was in turn wholly owned by Temasek Holdings (Private) Limited.

As at the Latest Practicable Date, (a) each of the 4 shareholders of OxyChina charged all of the shares registered in their respective own name in OxyChina; and (b) OxyChina charged all of its shares in CGI registered in its name in favour of Eastern Sky Limited as security agent nominated by Huang He pursuant to the charges dated 25 July 2011. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Overview” in this prospectus.

By virtue of the SFO, each of Huang He, China Infrastructure, CITP GP, BOCI Investment Limited, BOCI International Holdings Limited, Bank of China Limited, Springleaf Investments Pte., Ltd., Anderson Investments Pte. Ltd., Thomson Capital Pte., Ltd. and Temasek Holdings (Private) Limited is deemed to be interested in the same number of Shares held by CGI.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering, have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital or shares carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below sets out certain information with respect to our Directors:

Name	Age	Position in our Company	Date of joining our Group	Date of appointment as Director	Roles/ Responsibilities
Executive Directors					
David T Chen (陳大維)	70	Executive Director and Chairman	4 August 2006	4 August 2006	Responsible for the overall and comprehensive leading, management and supervision of our Company and relevant business
Yao Li (姚力)	56	Executive Director and vice chairman of the Board	28 May 2010	30 November 2015	Responsible for the overall and comprehensive leading, management and supervision of our Company, its relevant business and its day-to-day operations
Gao Guimin (高貴敏)	50	Executive Director	28 March 2007	13 December 2019	Responsible for the overall and comprehensive leading, management and supervision of our Company and its relevant business
Non-executive Directors					
Zhang Aimin (張愛民)	49	Non-executive Director	30 November 2015	30 November 2015	Responsible for the overall and comprehensive leading, management and supervision of our Company and its relevant business
Lai Yui (黎猷)	45	Non-executive Director	19 August 2011	19 August 2011	Participating in decision-making in respect of major matters such as strategies etc.
Ng Shuk Ming (伍淑明)	43	Non-executive Director	19 August 2011	19 August 2011	Participating in decision-making in respect of major matters such as strategies etc.
Independent non-executive Directors					
Siu Chi Hung (蕭志雄)	49	Independent non-executive Director	17 June 2020	17 June 2020	Supervising and providing independent advice to our Board
Xiao Huan Wei (肖煥偉)	62	Independent non-executive Director	17 June 2020	17 June 2020	Supervising and providing independent advice to our Board
Li Chun Elsy (李雋)	47	Independent non-executive Director	17 June 2020	17 June 2020	Supervising and providing independent advice to our Board

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets out certain information in respect of our senior management:

Name	Age	Position	Date of joining our Group	Roles/Responsibilities
Li Libing (李立兵)	50	Operation director (執行總監)	28 March 2007	Responsible for the day-to-day operation and production of our Company
Bai Xueping (白雪平)	69	Chief financial controller (財務總監)	1 February 2007	Responsible for the financial management of our Company
Liu Yang (劉陽)	39	Sales director (銷售總監)	12 April 2017	Responsible for the sales and market development of our Company and TTG
Li Shuhui (李樹輝)	47	Business development director (業務開發總監)	28 March 2007	Responsible for the cultivation and development of new product, new business and new areas of our Company
Li Xiaojun (李曉軍)	48	Equipment safety and quality control director (設備安全及品質總監)	28 March 2007	Responsible for the formulation of equipment operation specifications and standards, inspecting and supporting the safe operation of equipment of various affiliated companies
Hui Guangyu (惠光宇)	49	Public relationship director (公共關係總監)	18 May 2007	Responsible for the communications between Shareholders, public investors, institutional investors and potential investors

The business address of each member of our senior management is No. 9, Binhe Road, Lubei District, Tangshan, Hebei Province, the PRC.

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and operational plans, determining our periodic annual financial budgets, convening general meetings and reporting our Board's work at our Shareholders' meetings, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. David T Chen (陳大維), aged 70, is one of our founders and has been a Director of our Company since 4 August 2006. He was redesignated as an executive Director and appointed as our Chairman on 13 December 2019 and is responsible for the overall and comprehensive leading management and supervision of the relevant business of our Group. Mr. Chen has also been a director of TTG, our subsidiary, since its establishment on 8 February 2007.

Mr. Chen has over 33 years of working experience in the industrial gas industry. Prior to joining our Group, Mr. Chen already possessed extensive and practical experience in managing multinational corporations and cooperating with Chinese national corporations as he had served as the head of China region in two multinational companies. Mr. Chen served as the chief representative in China for BOC (China) Holdings Co., Ltd., a company principally engaged in the production and sales of industrial gas, from September 1986 to August 1996 and was mainly responsible for business development investment. From September 1996 to September 2001, he served as the chief representative of Eaton (China) Investments Co., Ltd., a company principally engaged in power management and the manufacture and sales of mechanical components, and was mainly responsible for management and business strategy.

Mr. Chen obtained his master's degree in nuclear science from Cornell University of the United States in June 1986.

Mr. Yao Li (姚力), aged 56, joined our Group in May 2010 as the general manager of TTG and has been a Director since 30 November 2015. He was redesignated as the executive Director and vice chairman of our Board on 13 December 2019. He is primarily responsible for the overall and comprehensive leading management and supervision and the relevant business of our Group and its day-to-day operations. Mr. Yao is also a director of TTG, our subsidiary, since 22 June 2011.

Mr. Yao has over 35 years of working experience in the industrial gas industry. Prior to joining our Group, Mr. Yao had been working in various positions in the HBIS Group during June 1989 to August 2008, including as the section head of the mechanical section of the energy department, where he was primarily responsible for facilities management, spare parts management, maintenance organisation; as the deputy plant manager of the southern zone power plant and the hot rolled steel factory, where he was primarily responsible for the facilities management of southern zone power and hot rolled sheet plant; as the deputy supervisor of the power generation department, where he was responsible for the management of water workshop, gas workshop, machine repair workshop, thermoelectricity workshop and mechanical division, energy division. From August 2008 to May 2010, Mr. Yao served as the deputy manager of Tangshan Luanxian Steel project.

From May 2010, Mr. Yao joined our Group and till April 2013, he served as the general manager of TTG, where he was mainly responsible for the comprehensive work of the Company, and the management of comprehensive division. From April 2013 to May 2014, Mr. Yao has served as the department head of Tangshan Steel Company Limited's non-steel business department, mainly responsible for the operation management, planning and development and business collaboration of non-steel systems. Since May 2014, Mr. Yao has been serving as the vice general manager of HBIS

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Tangsteel, mainly responsible for the operation management, planning and development and business collaboration of the non-steel business department, and he currently also serves as a director of HBIS Tangsteel. Mr. Yao also served as the director of Zhongqi Investment, our subsidiary, since its establishment in July 2018 until January 2019.

Further to his professional experience, Mr. Yao received the title of professional senior engineer in December 2003 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

Mr. Yao obtained his bachelor's degree in chemical engineering from Hebei Institute of Technology (河北工學院) (currently known as Hebei University of Technology (河北工業大學)) in China in July 1985. Mr. Yao then went on to obtain a master's degree in technical economics from Renmin University of China (中國人民大學) in June 2001. Mr. Yao further obtained his doctoral degree in metallurgy and engineering from University of Science and Technology Beijing (北京科技大學), China in January 2015.

Ms. Gao Guimin (高貴敏) aged 50, joined our group in March 2007. She was appointed as an executive Director on 13 December 2019. She is responsible for overall and comprehensive leading management and supervision of the relevant business. Ms. Gao is also a director of TTG since 13 December 2019.

Ms. Gao has over 26 years of working experience in the industrial gas industry. Before joining our Group, between September 1993 and July 2006, Ms. Gao worked as a technician at the mobile division of a factory of Tangshan Steel Company Limited (唐山鋼鐵股份有限公司) (currently known as HBIS Company) which principally engaged in producing and supplying industrial oxygen ("Tangshan Steel Oxygen Factory (唐鋼氧氣廠)"). Between July 2006 and March 2007, Ms. Gao was the deputy head of operation workshop No. 1 of Tangshan Steel Oxygen Factory (唐鋼氧氣廠).

Between March 2007 and February 2008, Ms. Gao served as a deputy manager at the engineering department of TTG. Between February 2008 and August 2009, Ms. Gao was the manager at the facilities management department of TTG. Between August 2009 and January 2016, Ms. Gao was the manager at the production facilities department of TTG. Between January 2016 and February 2018, Ms. Gao worked as the operation director of our Company. Since February 2018, Ms. Gao has been the general manager of Tangshan Chuangyuan Fangda Electric Co., Ltd., a subsidiary of HBIS Tangsteel, which principally engaged in production of electrical appliances such as high and low voltage switches, circuit breakers and smart meters, where Ms. Gao was responsible for organising, implementing, and hosting the production, operation, management and investment plan of the company and implementing resolutions of the board. Since May 2018, Ms. Gao has been a director of Tangsteel-POSCO LED Co., Ltd. (唐鋼浦項(唐山)新型光源有限公司), a subsidiary of Chuangyuan Fangda Electric Co., Ltd. Between January 2016 and February 2018, Ms. Gao has been named a specialist expert of TTG (唐鋼氣體專業專家) where she was responsible for training and technology sharing.

Further to her working experience, Ms. Gao received the title of professional senior engineer in December 2014 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

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Ms. Gao obtained her bachelor's degree in electrical automation from Tangshan Institute of Engineering and Technology (唐山工程技術學院) (currently known as the North China University of Science and Technology (華北理工大學), China in July 1992. Ms. Gao obtained her master's degree in business administration from Nankai University (南開大學), China in December 2012.

Non-executive Directors

Mr. Lai Yui (黎猷), aged 45, was appointed as a Director on 19 August 2011 and redesignated as a non-executive Director on 13 December 2019. He is responsible for participating in decision-making in respect of major matters such as strategy, etc. Mr. Lai is also a director of TTG since 24 December 2012.

Mr. Lai has more than 22 years of working experience in the investment banking and private equity industries. Between July 2007 and December 2012, Mr. Lai served as director of investment, with Temasek Holdings (Private) Limited and/or its wholly-owned subsidiaries. From 24 September 2014 to 30 June 2020, Mr. Lai served as a non-executive director of Canvest Environmental Protection Group Company Limited, a company listed on the Main Board (stock code: 1381). Since January 2013, Mr. Lai has been employed by various subsidiaries of BOC International Holdings Limited as the managing director and is currently the chief executive officer of CITP Advisor (Hong Kong) Ltd.

Mr. Lai obtained a bachelor's degree in science (magna cum laude) and a bachelor's degree in arts (magna cum laude) from University of Pennsylvania, the United States in May 1997.

Ms. Ng Shuk Ming (伍淑明), aged 43, was appointed as a Director on 19 August 2011 and redesignated as a non-executive Director on 13 December 2019. She is responsible for participating in decision-making in respect of major matters such as strategy, etc. Ms. Ng is also a director of TTG since 15 July 2015.

Ms. Ng has more than 12 years of working experience in the private equity industry. Between September 2007 and June 2010, she worked as an associate and senior associate at Excelsior Capital Asia, a direct investment firm focused on North Asia area, where Ms. Ng was responsible for executing and monitoring high value investments. Since June 2010, Ms. Ng has been working as an associate and subsequently a principal at CITP Advisors (Hong Kong) Ltd., where Ms. Ng is responsible for project development, executing and monitoring high value investments.

Further to her professional experience, Ms. Ng has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003.

Ms. Ng obtained her bachelor's degree in professional accountancy from Chinese University of Hong Kong in December 1999.

Mr. Zhang Aimin (張愛民), aged 49, has been a Director since 30 November 2015 and was redesignated as the non-executive Director of our Company on 13 December 2019. He is primarily responsible for the overall and comprehensive leading, management and supervision of our Company and its relevant business. Mr. Zhang has also been a director of TTG since 27 May 2013. He is also currently a supervisor of HBIS Tangsteel Pipeline Company Limited (唐山鋼鐵集團管業有限公司), a wholly-owned subsidiary of HBIS Tangsteel.

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Mr. Zhang has over 25 years of accounting experience in the industrial industry. From July 1994 to March 1996, Mr. Zhang served as a statement accountant at the accounting section of the finance division of Tangshan Steel Company Limited (唐山鋼鐵股份有限公司) (currently known as HBIS Company). Between March 1996 and November 2003, Mr. Zhang was a regional cost management manager at the cost management section of the finance division of Tangshan Steel Company Limited and was mainly responsible for overseeing cost management. Between November 2003 and June 2005, he served as the deputy section head and subsequently between October 2006 and August 2008, the section head of the cost management section of the finance division of Tangshan Steel Company Limited. From October 2006 to August 2008, concurrent to his then position, he was also named a level 4 expert of the finance division of Tangshan Steel Company Limited. Between August 2008 and March 2009, he served as the deputy division head of the finance division of Tangshan Steel Company Limited. Between March 2009 and May 2014, he was the deputy department head of the finance operation department of Tangshan Steel Company Limited, where he was responsible for cost and profit accounting and benchmarking of Tangsteel Company Limited and its subsidiaries. Between May 2014 and July 2018, Mr. Zhang was the department head of the finance operation department of HBIS Tangsteel, where he was responsible for financial capital management of HBIS Tangsteel and its subsidiaries. Since May 2017, concurrent to his then position, he has also been the deputy commander of project management department and chief accountant of HBIS Laosteel where he is mainly responsible for financial capital management of HBIS Laosteel projects.

Further to his professional experience, Mr. Zhang received the qualification as a senior accountant from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室) in November 2005.

Mr. Zhang obtained his bachelor's degree in engineering management from Hebei Mechatronics College (河北機電學院) (currently known as Hebei University of Science and Technology (河北科技大學)) in China in July 1994.

Independent Non-Executive Directors

Mr. Siu Chi Hung (蕭志雄), aged 49, was appointed as our independent non-executive Director on 17 June 2020. He is responsible for supervising and providing independent advice to our Board.

Mr. Siu has 24 years of accounting experience. Mr. Siu joined KPMG (Hong Kong) in August 1994 as an accountant and became a partner in July 2008. He was the head of real estate of KPMG (China) and the head of capital markets development, Southern China of KPMG (China) before his retirement in June 2018. He currently is an executive director of LVGEM Real Estate (Investment) Co., Ltd, a company listed on the Main Board (stock code: 0095).

Mr. Siu is currently a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a member of the American Institute of Certified Public Accountants (AICPA) and a member of the Hong Kong Independent Non-Executive Director Association (HKINEDA).

Mr. Siu obtained his bachelor's degree in Business Administration from Chinese University of Hong Kong in May 1994.

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Mr. Xiao, Huan Wei (肖煥偉), aged 62, was appointed as our independent non-executive Director on 17 June 2020. He is responsible for supervising and providing independent advice to our Board.

Mr. Xiao had over 14 years of work experience in the investment industry. From July 2005 to May 2014, Mr. Xiao served as executive director, group chief executive, chairman of the group executive committee, and group chief executive director of VXL Capital (currently known as Crown International Corporation Limited (皇冠環球集團有限公司)), a company listed on the Main Board (stock code: 0727), where he was responsible for overseeing acquisitions, asset transfers, planning and construction development of various projects.

Since February 2014, Mr. Xiao has been the chairman of Secret Garden (Zhangjiakou) Resort Co., Ltd. (密苑(張家口)旅遊股份有限公司), a company that principally engaged in the construction and operation of projects relating to comprehensive and all-season ecotourism resources development, greenery and environmental protection, skiing, outward bound, competition and sports skills training, stadium and playground construction and provision of agent services, where Mr. Xiao has been responsible for the comprehensive leading of the operation management and administration work of the company. Mr. Xiao is also the chairman of certain subsidiaries of the company.

In addition to his professional experience, Mr. Xiao is a member of Beijing 2022 Olympics Winter Games Bid Committee and the 11th and 12th Chinese People's Political Consultative Conference national committee of Hebei Province.

Mr. Xiao obtained his associate degree in Theory in Marxism-Leninism from Fudan University (復旦大學), China in May 1984.

Ms. Li Chun Elsy (李雋), aged 47, was appointed as our independent non-executive Director on 17 June 2020. She is responsible for supervising and providing independent advice to our Board.

Ms. Li has over 10 years of working experience in global financial institutions. Between March 2008 and November 2014, she has held various roles at Deutsche Bank AG, Hong Kong Branch, including managing director of institutional client group and managing director of financial institutions group of the investment banking department. Between May 2015 and January 2017, Ms. Li was a consultant of Egon Zehnder International. Since May 2017, Ms. Li has been the group treasurer and head of corporate development of Sun Hung Kai & Co. Limited, a company listed on the Main Board (stock code:0086).

Since July 2019, Ms. Li has been a member of the Listing Committee of Hong Kong Stock Exchange. Ms. Li was qualified as a certified public accountant of the State of New York, United States in January 2002.

Ms. Li acquired her bachelor's degree in Business Administration from University of Michigan Business School, University of Michigan, United States in May 1997.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

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SENIOR MANAGEMENT

Mr. Li Libing (李立兵), aged 50, joined our Group in March 2007, and was appointed as our operation director on 13 December 2019, and is mainly responsible for the day to day operation and production of our Company.

Before joining our Group, from August 1992 to June 1995, Mr. Li worked as a technician at Tangshan Steel Oxygen Factory (唐鋼氧氣廠) where he was responsible for the management of technology relating to oxygen production. From June 1995 to October 1997, he was the leader of the 2#15000Nm³/hr machinery planning group of Tangshan Steel Oxygen Factory (唐鋼氧氣廠), where he oversaw the infrastructure project management. From October 1997 to February 2000, he worked as the deputy head of operation workshop No. 3 of Tangshan Steel Oxygen Factory (唐鋼氧氣廠), where he was responsible for the production of oxygen and technology management. From February 2000 to August 2003, he worked as a technician at the production division of Tangshan Steel Oxygen Factory (唐鋼氧氣廠), where he was responsible for the management of craftsmanship and infrastructure and technology renovation project management. Between August 2003 and January 2007, he held various positions within the engineering technology division of the power generation department of HBIS Tangsteel (currently known as HBIS Tangsteel Power Technology Branch Company (唐山鋼鐵集團有限責任公司能源科技分公司), a branch company of HBIS Tangsteel), where, from January 2007 to March 2007, he was the director at operation workshop No. 3 of the power energy division of HBIS Tangsteel.

After joining our Group, between March 2007 and February 2010, he was the manager of Tangshan Stainless Steel Branch. Between February 2010 and February 2016, he worked as the manager of engineering and technology department of TTG. Between January 2016 and December 2018, Mr. Li was retained as an expert in oxygen production technique (制氧工藝技術專家) and has been our technology and business development director since January 2016.

Further to his professional experience, Mr. Li received the title of professional senior engineer in November 2017 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

Mr. Li obtained his bachelor's degree in refrigeration equipment and cryogenics technology from Shanghai Institute of Mechanical Engineering (上海機械學院) (currently known as University of Shanghai for Science and Technology (上海理工大學)) in China in July 1992 and a master's degree in mechanical engineering from Tianjin University (天津大學) in China in September 2008.

Mr. Bai Xueping (白雪平), aged 69, joined our Group in February 2007, and was appointed as our chief financial controller on 13 December 2019, and is mainly responsible for the financial management of our Company. Mr. Bai has approximately 30 years of work experience in the financial areas of industrial gas industry, and is very familiar with the operation of industrial gas industry.

Prior to joining our Group, between February 1988 and January 2007, Mr. Bai held various positions within BOC (China) Holdings Co., Ltd., including serving as its chief financial manager of northern division in China.

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Since January 2007, Mr. Bai has been servicing as the director of business development of our Company.

Mr. Bai obtained his master's degree in accounting studies from Capital University of Economics and Business (首都經濟貿易大學), China in December 2003.

Mr. Liu Yang (劉陽), aged 39, joined our Group in April 2017, and was appointed as our sales director on 13 December 2019, and is mainly responsible for the sales and market development of our Company and TTG. Mr. Liu is also a director of Tangsteel Dongxin Village since 21 September 2018.

Prior to joining our Group, between April 2004 and February 2015, he was a sales engineer at Beijing Praxair Huashi Carbon Co., Ltd. (北京普萊克斯化實二氧化碳有限公司), a company specialised in the production and sales of industrial gas, where Mr. Liu was responsible for the sales and market development of industrial gas products. Since March 2015, Mr. Liu has been the manager of sales of north market at CGI.

Mr. Liu has been holding a concurrent position as the manager of sales at the sales of products branch division of TTG since April 2017.

Mr. Liu acquired his bachelor's degree in industrial engineering from Beijing University of Technology (北京工業大學), China in January 2005, and subsequently obtained a master's degree in engineering in the field of project management from the same university in June 2012.

Mr. Li Shuhui (李樹輝), aged 47, joined our Group in March 2007, and was appointed as our business development director on 13 December 2019, and is mainly responsible for the cultivation and development of new product, new business and new areas of our Company. Mr. Li is currently also a supervisor of Tangsteel Dongxin Village.

Before joining our Group, between November 1998 and August 2003, Mr. Li worked at Tangshan Steel Oxygen Factory (唐鋼氧氣廠). Between August 2003 and March 2007, he worked at a power plant of HBIS Tangsteel. Between March 2007 and February 2010, Mr. Li worked as a planning officer and host officer at the sales branch of TTG, where he was responsible for the export business. Between February 2010 and July 2013, Mr. Li was a manager at the market division of the sales of products branch division of TTG, where he was responsible for the sales of products, market development and logistics. Between July 2013 and February 2014, Mr. Li worked as a deputy manager at the general division of TTG, where he hosted the overall work of the division. Since February 2014, Mr. Li has been promoted as a manager at the general division of TTG, where he is responsible for corporate operation management, administration, party-community networking, human resource, the Broad, legal affairs, tendering management, digitalisation, etc.

Further to Mr. Li's profession experience, he received the title of senior engineer of metallurgical equipment in November 2017 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

Mr. Li acquired his bachelor's degree in mechanical design and manufacturing from Hebei Science and Technology College (河北理工學院) (currently known as North China University of Science and Technology (華北理工大學)) in July 1997 in China.

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Mr. Li Xiaojun (李曉軍), aged 48, joined our Group in March 2007, and was appointed as our equipment safety and quality control director on 13 December 2019, and is mainly responsible for the formulation of equipment operation specifications and standards, inspecting and supporting the safe operation of equipment of various affiliated companies.

Before joining our Group, between July 1992 and March 2003, Mr. Li served various positions at different divisions of Tangshan Steel Oxygen Factory (唐鋼氧氣廠). Between March 2007 and August 2007, Mr. Li worked as a salesman at the sales of products branch division of TTG, where he was responsible for the sale of products. Between August 2007 and January 2008, he was a deputy manager of the Huludao project of TTG, where he was responsible for the development of Huludao's new projects. Between January 2008 and February 2011, Mr. Li worked as a deputy manager at the sales of products branch division of TTG, respectively, where he was responsible for sales management system. Between February 2011 and July 2013, Mr. Li worked as a deputy manager and manager at the general division of TTG, and was concurrently serving as the relevant party branch secretary, where his then work responsibilities included branding, organising conventions and events to boost the image of TTG. Between July 2013 and October 2018, Mr. Li was a manager and party secretary at the sales of products branch division of TTG, where he was responsible for strengthening market cultivation, establishing positive competition system and boosting business development. Since October 2018, he has been a manager and party secretary of TTG Ironmaking Branch, where he is responsible for production, operation and product supply of the Ironmaking Branch.

Further to his professional experience, Mr. Li received the title of metallurgical experiment engineer in December 2005 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

Mr. Li received his associate degree in industrial analysis from Tangshan Institute of Engineering and Technology (唐山工程技術學院) (currently known as North China University of Science and Technology (華北理工大學) in July 1992 in China.

Mr. Li then received his bachelor of degree in management via distance learning from University of International business and Economics (對外經濟貿易大學) in June 2013 in China.

Mr. Hui Guangyu (惠光宇), aged 49, joined our Group in May 2007, and was appointed as our public relationship director on 13 December 2019, and is mainly responsible for the communications between Shareholders, public investors, institutional investors and potential investors.

Before joining our Group, from September 1994 to October 2003, Mr. Hui was a technician at a factory of the HBIS Group engaged in processing of raw materials, where he was responsible for safety and environmental management. Between October 2003 and May 2007, Mr. Hui served as a safety officer at a supply site of HBIS Company, where he was responsible for safety management and development of management system.

Mr. Hui joined our Group in May 2007, and till between May 2007 and September 2009, he worked as a safety officer at the safety division of TTG, where he was responsible for safety and environmental protection management of the company. Between September 2009 and November 2012, Mr. Hui was the division head at the general division of TTG, where he was responsible for corporate management. Between November 2012 and December 2012, Mr. Hui was a deputy manager at the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

safety division of TTG, where he provided support to the overall work of the division. Subsequently, between December 2012 and January 2016, he was promoted as a manager of the safety division of TTG, where he was responsible for safety, environmental protection and fire safety management of the company. Between January 2016 and November 2018, Mr. Hui was a manager at the production and facility division of TTG, where he was responsible for coordination and organisation of production, management of maintenance and repair of equipment and procurement of resources. Since October 2018, Mr. Hui has been a manager at the sales of products branch division of TTG, where he has been responsible for pre-listing work of the company and other corporate activities.

Further to his professional experience, Mr. Hui received the title of senior engineer in environment engineering in November 2016 from Hebei provincial title reform leading group office (河北省職稱改革領導小組辦公室).

Mr. Hui received his first bachelor's degree in environmental engineering from Chongqing University (重慶大學) in China in June 1994. Mr. Hui then received his second bachelor's degree in metallurgical engineering via correspondence study from the Northeastern University (東北大學) in China in January 2009.

To our best knowledge and save as disclosed above, none of our Directors and senior management members have been a director of other public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus, and none of our Directors and senior management members are personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders.

COMPANY SECRETARY

Ms. Siu Wing Kit (蕭穎潔), aged 50, was appointed as our company secretary on 2 December 2019. Ms. Siu is a senior manager of corporate services of Tricor Services Limited, an Asia's leading business expansion specialist specialising in integrated business, corporate and investor services.

Ms. Siu has over 20 years of experience in the corporate secretarial field and has been handling the company secretarial compliance works of Hong Kong listed companies, private and offshore companies. Ms. Siu is currently the joint company secretary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2359), and the company secretary of China Sandi Holdings Limited (中國三迪控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 910), and JHBP (CY) Holdings Limited (嘉和生物藥業(開曼)控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6998).

Further to the professional experience, Ms. Siu was admitted as a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom in December 2006. Ms. Siu obtained her master's degree in Corporate Governance from The Hong Kong Polytechnic University in December 2006.

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BOARD COMMITTEES

Audit Committee

We have established an audit committee on 17 June 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code. The audit committee consists of three members, being Mr. Siu Chi Hung, Mr. Zhang Aimin and Mr. Xiao Huan Wei. Apart from Mr. Zhang Aimin, who is a non-executive Director, the other two members of the audit committee are independent non-executive Directors. The audit committee is chaired by Mr. Siu Chi Hung. The primary duties of the audit committee are to assist our Board by providing an independent view on the effectiveness of the financial reporting system, risk management and internal control systems, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 17 June 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code. The remuneration committee consists of three members, being Mr. Xiao Huan Wei, Ms. Gao Guimin and Mr. Siu Chi Hung. Apart from Ms. Gao Guimin, who is an executive Director, the other two members of the remuneration committee are independent non-executive Directors. The remuneration committee is chaired by Mr. Xiao Huan Wei. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 17 June 2020 with written terms of reference in compliance with paragraph A5 of the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The nomination committee consists of five members, namely Mr. Chen, Mr. Yao Li, Mr. Xiao Huan Wei, Mr. Siu Chi Hung and Ms. Li Chun Elsy. Apart from Mr. Chen and Mr. Yao Li, who are executive Directors, the other three members of the nomination committee are independent non-executive Directors. The chairman of the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

nomination committee is Mr. Chen and the vice chairman is Mr. Yao Li. The primary function of the nomination committee is to make recommendations to our Board on the appointment and removal of our Directors and senior management, as well as to review our board diversity policy (the “**Board Diversity Policy**”).

CORPORATE GOVERNANCE

As at the Latest Practicable Date, we have no material deviation from the Corporate Governance Code.

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Our Directors are aware that upon Listing, we are expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We will comply with the code provisions set out in the Corporate Governance Code after Listing.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

In order to enhance the effectiveness of our Board and to maintain high standards of corporate governance, we have adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on our Board.

The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. When identifying potential candidates to our Board, our nomination committee and our Board will, among others, consider the current level of representation of women on our Board and senior management when making recommendations for nominees as well as succession planning to our Board and senior management. Our Company will also take into consideration factors based on our own business model and specific needs from time to time in determining the optimum composition of our Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on our Board.

Our Directors have a balanced mix of gender, knowledge and skills, including overall management and business administration, mechanical and chemical engineering, investment and finance and regulatory practise. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

After Listing, our nomination committee will review the Board Diversity Policy and monitor its implementation. Our nomination committee will report annually to Shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the appointments of our Directors and senior management and the consideration given to the diversity on our Board, including without limitation, on gender and race diversity.

COMPENSATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of our Company.

The aggregate amount of remuneration including wages, salaries, bonuses, pension costs-defined contribution plans, housing funds, medical insurance and other social welfare contributions, Director's fees and discretionary bonus which were paid to our Directors for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 from our Group were nil, nil, nil and nil, respectively. During the Track Record Period, the Directors' remuneration was borne by our Company's Shareholders and did not recharge any amount to our Group. For details, please refer to Note 36 to the Accountant's Report set out in Appendix I to this prospectus.

The aggregate amount of remuneration including wages, salaries, bonuses, housing funds, medical insurance and other social welfare contributions and pension costs-defined contribution plans which were paid by our Group to the five highest paid individuals for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 were approximately RMB2.2 million, RMB2.5 million, RMB2.6 million and RMB1.3 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including wages, salaries, bonuses, pension costs-defined contribution plans, housing funds, medical insurance and other social welfare contributions, Director's fees and but excluding discretionary bonus) of our Directors (including independent non-executive Directors) for the year ending 31 December 2020 is estimated to be approximately RMB1.0 million.

The estimated aggregate annual remuneration payable to our Directors (including independent non-executive Directors) by our Group after Listing is approximately RMB7.2 million (including wages, salaries, bonuses, pension costs-defined contribution plans, housing funds, medical insurance and other social welfare contributions, Director's fees but excluding discretionary bonus).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed China Everbright Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended subject to mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

		<u>Nominal value</u>
		US\$
Authorised share capital:		
<u>2,000,000,000</u>	Shares of par value of US\$0.0001 each	<u>200,000</u>
		Aggregate
		<u>Nominal value</u>
		US\$
		(approximately)
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:		
105,575,450	Shares in issue as at the date of this prospectus	10,557.545
794,424,550	Shares to be issued pursuant to the Capitalisation Issue	79,442.455
<u>300,000,000</u>	Shares to be issued under the Global Offering	<u>30,000.0</u>
<u>1,200,000,000</u>	Total	<u>120,000.0</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to Capitalisation Issue and the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 300,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

SHARE CAPITAL

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus, save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our then Shareholders passed on 17 June 2020, subject to the share premium account of our Company being credited as a result of the allotment and issue of Offer Shares by our Company pursuant to the Global Offering, our Directors have been authorised to capitalise an amount of US\$79,442.455 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 794,424,550 Shares at par for allotment of issue to our Shareholders whose names appeared on the register of members of our Company at the close of business on 17 June 2020 (or as they may direct) in proportion to its/their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share). The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of not exceeding the sum of:

- (1) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they have been authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement subject to applicable requirements including the Listing Rules.

SHARE CAPITAL

This general mandate to issue Shares will expire at the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of our Company is required by our Articles of Association or the Cayman Islands Companies Law or any other applicable Cayman Islands laws to be held; or (iii) the passing of the ordinary resolutions by our Shareholders revoking or varying the authority given to our Directors under such general mandate.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 4. Written resolutions of our then Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of our Share in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further information about our Group — 6. Repurchase of our Company's securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of our Company is required by our Articles of Association, the Cayman Islands Companies Law or any other applicable Cayman Islands laws to be held; or (iii) the passing of the ordinary resolutions by our Shareholders revoking or varying the authority given to our Directors under such general mandate.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 4. Written resolutions of our then Shareholders" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase our capital; (ii) consolidate and divide our capital into Shares of larger amount; (iii) subdivide our Shares into Shares of smaller amount; and (iv) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce our share capital or capital redemption reserve by our Shareholders passing special resolution. For further details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law — Articles of Association — Shares — Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law — Articles of Association — Shares — Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our business, financial condition and results of operations are based on and should be read in conjunction with our financial statements as at and for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, including the notes thereto, as set out in the Accountant's Report in Appendix I to this prospectus and other financial information appearing elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. We have applied IFRS 9, IFRS 15 and IFRS 16 to our financial statements during the Track Record Period. You should read the entire Accountant's Report and not merely rely on the information contained in this section. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed "Risk Factors" and "Business".

OVERVIEW

We have been in operation since 2007, and we were the second largest industrial gas supplier in the Jing-Jin-Ji Region in terms of revenue in 2019, according to the Frost & Sullivan Report. The Jing-Jin-Ji Region comprises Beijing, Tianjin and Hebei province and is the largest urbanised megalopolis region in North China. According to the Frost & Sullivan Report, the Jing-Jin-Ji Region industrial gas market accounted for approximately 17.3% of the total industrial gas market in China in terms of revenue in 2019. During the Track Record Period and up to the Latest Practicable Date, we mainly focused on the supply of pipeline industrial gas and liquefied industrial gas. We also operated a relatively small-scale LNG-related business which includes supply of LNG and the provision of gas transmission service.

We are the exclusive pipeline industrial gas supplier for a few members of the HBIS Group, a leading iron and steel producer in the PRC. We have developed a strategic and mutually beneficial relationship with the HBIS Group. For more information relating to our relationship with the HBIS Group, please refer to the section headed "Business — Our business — Relationship with members of the HBIS Group" in this prospectus.

Our primary product is pipeline industrial gas, which is produced by our ASUs. Revenue generated from the supply of pipeline industrial gas accounted for approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. During the Track Record Period, all of our revenue generated from our supply of pipeline industrial gas was derived from sales to members of the HBIS Group.

FINANCIAL INFORMATION

We produce and supply liquefied industrial gas primarily to offsite independent end-user customers. The production process of liquefied industrial gas is almost identical to that of pipeline industrial gas except that it involves additional liquefaction processing. Accordingly, the production of pipeline industrial gas, as well as liquefied industrial gas, increases our overall revenue generation and enhances our overall operational efficiency by optimising the utilisation of our ASUs. Revenue generated from our supply of liquefied industrial gas accounted for approximately 23.1%, 25.3%, 19.6% and 17.0% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Our LNG-related business includes the supply of LNG and provision of gas transmission service. The supply of LNG refers to our production and sales of LNG products. The provision of gas transmission service refers to our COG pressurisation and transmission service. Since 2017, due to the reduced supply of COG available to us for LNG production purposes, the level of our supply of LNG has decreased and most of the revenue generated from our LNG-related business was derived from the provision of gas transmission service. Revenue generated from our LNG-related business accounted for approximately 9.6%, 10.7%, 7.9% and 5.9% of our total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. We have no present intention to discontinue our supply of LNG. HBIS Tangshan Branch was the sole customer for our gas transmission service during the Track Record Period.

We have a stable track record during the Track Record Period. Our revenue increased from approximately RMB1,027.2 million for the year ended 31 December 2017 to approximately RMB1,145.6 million for the year ended 31 December 2018, and further to approximately RMB1,305.2 million for the year ended 31 December 2019. Our revenue decreased from approximately RMB686.7 million for the six months ended 30 June 2019 to approximately RMB597.7 million for the six months ended 30 June 2020. Our profit for the year increased from approximately RMB80.0 million for the year ended 31 December 2017 to approximately RMB119.8 million for the year ended 31 December 2018, and further to approximately RMB133.8 million for the year ended 31 December 2019. Our profit for the period decreased from approximately RMB91.6 million for the six months ended 30 June 2019 to approximately RMB64.7 million for the six months ended 30 June 2020.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 4 August 2006 as an exempted company with limited liability under the Companies Law, CAP 22. Our Company is an investment holding company. Our Company and our subsidiaries are principally engaged in the production and sales of industrial gas in the PRC. The Shareholders of our Company are CGI and SH Huitang Zhihe, which held 50% of our Shares, respectively, as at 31 December 2017 and 2018. After the capitalisation from CGI in November 2019, CGI and SH Huitang Zhihe held 52.01% and 47.99% of our Shares, respectively, as at 31 December 2019 and 30 June 2020. The historical financial information has been prepared based on our consolidated financial statements and our subsidiaries. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

FINANCIAL INFORMATION

The historical financial information has been prepared in accordance with all applicable IFRS issued by the IASB. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are carried at fair value.

Adoption of IFRS 9, IFRS 15 and IFRS 16

To make our consolidated financial statements comparable on a period-to-period basis and allow the investors to better understand our financial performance and position, IFRS 9 “Financial instruments,” or IFRS 9, IFRS 15 “Revenue from Contracts with Customers,” or IFRS 15, and IFRS 16 “Leases,” or IFRS 16, have been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of IAS 39 “Financial instruments: Recognition and measurement,” or IAS 39, IAS 18 “Revenue,” or IAS 18, and IAS 17 “Leases,” or IAS 17, respectively. Accordingly, we have prepared and maintained only one set of consolidated financial statements adopting IFRS 9, IFRS 15 and IFRS 16 for the Track Record Period. Neither had we prepared, nor the Reporting Accountant had audited or reviewed, our consolidated financial statements for the Track Record Period prepared based on IAS 39, IAS 18 and IAS 17. In order to provide additional information to the investors, we have used our best efforts to assess the respective impact on our financial results of the application of the principles set out in IAS 39, IAS 18 and IAS 17, compared to our adoption of IFRS 9, IFRS 15 and IFRS 16, respectively.

Adoption of IFRS 9 and IFRS 15

Based on our internal assessments, the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 39 and IAS 18, has no significant impact on our financial position and performance during the Track Record Period, except for contract liabilities amounting to approximately RMB10.8 million, RMB10.5 million, RMB7.1 million and RMB7.3 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, would have been reclassified as advance from customers if IAS 18 had been applied throughout the Track Record Period.

Adoption of IFRS 16

Under IAS 17, operating lease payments are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statements and are recognised outside of the consolidated statements of financial position. Under IFRS 16, all leases (except for those with a lease term of less than 12 months or of low value assets) must be recognised in the form of assets as the right-of-use assets, and financial liabilities as the lease liabilities in our consolidated balance sheets at the commencement of respective leases.

Based on our internal assessments, the adoption of IFRS 16, as compared to the requirements of IAS 17, has no significant impact on our financial position and performance during the Track Record Period.

For more information, please refer to Note II 2.1.1(b) to the section headed Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our ability to maintain our business relationship with members of the HBIS Group

Our results of operations are significantly affected by our continuous business relationship with members of the HBIS Group. During the Track Record Period, the majority of our revenue was derived from the sales to our major customers. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, sales to our five largest customers (of which the HBIS Group (including HBIS and its subsidiaries only) was considered as one single customer) aggregately accounted for approximately 83.7%, 80.1%, 87.8% and 91.7% of our total revenue for the same periods, respectively, and sales to the HBIS Group (including HBIS, its subsidiaries and associates) accounted for approximately 79.7%, 73.9%, 84.0% and 88.5% of our total revenue for the same periods, respectively. In particular, members of the HBIS Group, including amongst others, HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Car Plate and Tangshan Plate which were our pipeline industrial gas customers contributed significantly to our revenue during the Track Record Period. Please refer to the section headed “Business — Our business — Relationship with members of the HBIS Group” for more details. Our ability to maintain the current level of businesses from these customers has a direct impact on our ability to continue to grow our revenue.

We generally entered into long-term take-or-pay industrial gas supply contracts with a duration of 15 or 30 years with our pipeline industrial gas customers which were members of the HBIS Group, which provided for a monthly minimum quantity of industrial gas to be purchased and contain price adjustment provisions with respect to electricity costs. However, if our pipeline industrial gas customers either (i) terminate the industrial gas supply contracts prior to the expiry of the agreed contractual term, (ii) become insolvent or otherwise default on payments under such contracts, or (iii) fail to comply with the price adjustment provisions in the industrial gas supply contracts with respect to electricity costs, and if we are unable to expand our business with these customers or attract new customers, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations would be materially and adversely affected. Furthermore, any change of business development plan or any adverse changes in the business or financial performance of these major customers, including any liquidity problems, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us.

Certain of our pipeline industrial gas customers are also our major suppliers of utilities. During the Track Record Period, we procured electricity, together with water, steam and heating, from HBIS Company, Tangshan Stainless Steel and Tangshan Plate based on contractual arrangements. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment. For more information, please refer to the section headed “Business — Our business — Raw materials, utilities and suppliers” in this prospectus.

During the Track Record Period, we procured COG from Tangshan Meijin, one of our five largest suppliers, for our LNG-related business operation. During the same years, we primarily sold liquefied nitrogen to Tangshan Meijin.

FINANCIAL INFORMATION

The table below sets out our revenue generated from overlapping customers and suppliers and purchases from them during the Track Record Period.

	For the year ended 31 December									For the six months ended 30 June		
	2017			2018			2019			2020		
	Revenue	Purchase	Gross	Revenue	Purchase	Gross	Revenue	Purchase	Gross	Revenue	Purchase	Gross
			profit			profit			profit			profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
HBIS Tangshan Branch	414,183	331,456	61,930	449,458	355,555	62,044	565,292	391,907	106,685	260,666	169,379	43,469
Tangshan Stainless Steel	210,405	132,592	47,754	201,437	170,953	32,839	207,465	182,989	40,781	98,308	81,507	21,928
Tangshan Plate	168,436	115,968	24,760	167,493	128,497	23,547	285,544	206,580	53,344	153,388	99,924	34,726
Tangshan Meijin	4,651	69,727	1,431	5,481	68,919	2,360	5,684	46,800	2,721	2,713	8,451	1,489
Total	797,675	649,743	135,875	823,869	723,924	120,790	1,063,985	828,276	203,531	515,075	359,261	101,612

Demand for our industrial gas products

The growth of our business is mainly driven by the increasing demand for our industrial gas productions in downstream sectors. According to the Frost & Sullivan Report, the industrial gas market in China is forecast to keep growing along with the further growing demand from downstream industries and wider application of industrial gas in various industries. The market is expected to grow from approximately RMB147.7 billion in 2019 to approximately RMB227.5 billion in 2024 at a CAGR of approximately 9.0% during the period. As most of our major customers are members of the HBIS Group, any significant decline in the business and financial conditions of the HBIS Group, the industries in which the HBIS Group operates, particularly iron making and steel making, or the PRC economy in general, could have a material adverse effect on our business, results of operations, financial condition, and prospects. According to the Frost & Sullivan Report, the production of crude steel in the PRC has increased from approximately 822.3 million tonnes in 2014 to approximately 996.3 million tonnes in 2019 driven by the development of downstream factors such as construction and machinery industry, representing a CAGR of approximately 3.9%. The crude steel production is forecast to keep the growing trend in the coming future. According to the Frost & Sullivan Report, the iron and steel industry is not significantly affected by the COVID-19 pandemic. According to the NDRC, the production of crude steel had recorded a year-on-year growth rate of 4.5% during the nine months ended 30 September 2020 in China. The construction industry was subject to a short-term impact. However, a compensatory expansion of demand is likely to be expected in the medium and long term, which is underpinned by the massive development of infrastructure in China. As the epidemic alleviates in China, the demand is likely to recover in the next few years. For more information, please refer to the section headed “Industry Overview — Impact of COVID-19” in this prospectus. As a result, we expect our sales of industrial gas will continue to grow with the sustained demand from downstream sectors and we plan to continue to focus on our industrial gas operations.

FINANCIAL INFORMATION

Our ability to manage utility costs from our production

Our operating margin and profitability significantly depend on our ability to sell and market our products and services in a cost-effective manner. Utility costs had represented a substantial portion of our total cost of revenues during the Track Record Period.

Our utilities were primarily supplied by certain of our pipeline industrial gas customers, namely HBIS Tangshan Branch, Tangshan Stainless Steel and Tangshan Plate, pursuant to the utility purchase contracts during the Track Record Period. We also entered into a utilities purchase contract with HBIS Laosteel which would be a new customer of Zhongqi Investment. While the electricity prices applicable to us are generally fixed at a flat rate during the terms of the industrial gas supply contracts, such electricity prices are subject to adjustment due to changes in the local electricity prices determined by the local authority. Our electricity prices may increase as our pipeline industrial gas customers may increase the price of electricity they supply to us due to the increase in electricity prices effected by the relevant authority. While we may experience increased electricity prices, each of our gas supply contracts allow us to mitigate the effect of such increases as we are generally entitled to make corresponding adjustments to the selling prices of our industrial gas by taking into account the fluctuations in electricity price. As a result, at most instances we are able to fully recover the increase in electricity price from our pipeline industrial gas customers in accordance with our industrial gas supply contracts.

Going forward, our ability to increase revenue from operations will be significantly affected by various factors such as whether or not we are able to pass on any increase in utility prices to our customers, or to mitigate the impact by our ability to continue improving the effectiveness and efficiency of our production process using advanced technologies in the market.

Level of income tax and preferential treatment

Our profit attributable to owners is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our income tax expenses were approximately RMB30.8 million, RMB32.5 million, RMB38.2 million and RMB21.0 million, respectively. TTG and Luanxian Tangsteel Gases, which are our subsidiaries, were approved as High and New Technology Enterprise in the PRC in 2016 and 2018, respectively. Accordingly, TTG and Luanxian Tangsteel Gases enjoyed from a preferential income tax rate of 15% from 2016 to 2018 and from 2018 to 2020, respectively. On 10 September 2019, TTG had received a renewed certificate of High and New Technology Enterprise and therefore was entitled to the 15% preferential tax rate from 2019 to 2021. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, tax effects of preferential income tax rates applicable to TTG and Luanxian Tangsteel Gases in aggregate was approximately RMB7.4 million, RMB15.7 million, RMB19.4 million and RMB9.7 million, respectively. However, there is no assurance that we will continue enjoying the preferential tax rate in the long run and it is possible that the standard 25% corporate income tax rate could apply to us in future periods. In addition, we are entitled to tax deduction available to our research and development expenses. For more information, please refer to the paragraphs “— Description of major

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components of our results of operations — Income tax expense” in this section of this prospectus. Any change in the applicable corporate income tax rate upon the expiration of preferential tax treatment could have a negative impact on the amount of tax we pay and consequently have a material adverse impact on our results of operations and financial condition.

Competition in the industrial gas industry

The industrial gas industry in the PRC is relatively fragmented, with around 8,000 industrial gas suppliers in the industry. According to the Frost & Sullivan Report, the top five players in aggregate accounted for approximately 29.3% of total revenue of industrial gas suppliers in 2019. The delivery of industrial gas products is limited to certain distance, which normally is within a 250 km to 300 km radius from the location of customers. In addition, new entrants may face the challenges in establishing relationships with downstream customers in the short term within the geographical location. Therefore, it is difficult for new entrants to compete with existing market players within the region. As a result, we may not be able to expand our business by entering markets outside the Jing-Jin-Ji Region. Within the region, our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved gas products. Increased competition may result in price reductions, reduced profit margins and loss of market share and as a result, our results of operations and financial condition may be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set out in detail in Note 2 to the Accountant’s Report included in Appendix I to this prospectus.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6 to the Accountant’s Report included in Appendix I to this prospectus. Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods prior to 1 January 2020 and have not been early adopted by our Group, which are set out in the Note 2.1.1 to the Accountant’s Report included in Appendix I to this prospectus.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for industrial gas generated and supplied or services provided, stated net of value added taxes.

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Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time. The following is a description of the accounting policy for our principle revenue streams:

i. Supply of pipeline industrial gas

Sales and distribution of industrial gas are recognised at a point in time when control is transferred to customers, which generally coincides with the time when gas is transmitted and used by the customers, and is based on the gas consumption data derived from meter readings. Payment of the transaction price is due immediately at the point the customer consumes the gas.

ii. Supply of liquefied industrial gas and LNG

For the supply of liquefied industrial gas and liquefied natural gas where the control of products is transferred to customer on delivery, revenue is recognised at a point in time when the customer obtains the physical possession of products and when our Group has present right to payment and the collection of the consideration is probable.

iii. Gas transmission service

For gas transmissions service where obligation of service is satisfied on transmission of gas, revenue is recognised for each reporting period based on the volume of gas transmitted and the unit service fee as agreed in the service contract.

iv. Others

Others mainly consist of income from sales of CNG and LNG for vehicles and other special gas, which are recognised when the relevant items are delivered to the buyers.

v. Contract liabilities

A contract liability is recorded when our obligation to transfer goods to a customer has not yet occurred but for which we have received consideration from the customer. We present such advances from customers as contracted liabilities on the consolidated balance sheets.

Inventories

Inventories, mainly consisting of finished goods and spare parts, are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Residual value rate</u>	<u>Estimated useful lives</u>
Buildings	3%	30 years
Machinery	3%	20 years
Electronic equipment	0%	5 years
Instruments and other equipment	0%	10 years
Vehicles	10%	10 years
Leasehold improvements	0%	Shorter of remaining term of the lease and the estimated useful lives of assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other gains or losses, net" in the consolidated statement of comprehensive income.

Construction in progress represents leasehold improvements, production line and manufacturing plants under construction. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and capitalised costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in above.

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Leases

Our Group leases land, office and buildings as lessee. Rental contracts are typically made for fixed periods of 1 to 20 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or our Group's incremental borrowing rate.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as at the date of initial adoption of IFRS 16.

The right-of-use assets and the lease liabilities are present separately on the consolidated balance sheets.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets out our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenues	1,027,197	1,145,578	1,305,152	686,709	597,732
Cost of revenues	(859,297)	(926,830)	(1,022,922)	(521,279)	(457,205)
Gross profit	167,900	218,748	282,230	165,430	140,527
Selling and marketing expenses	(2,734)	(2,284)	(1,634)	(916)	(757)
Administrative expenses	(23,126)	(22,269)	(40,189)	(16,575)	(19,855)
Research and development expenses	(21,824)	(31,630)	(50,834)	(19,332)	(24,690)
Other income	826	2,110	2,247	764	1,578
Other (losses)/gains, net	(282)	(1,316)	(421)	26	(835)
Operating profit	120,760	163,359	191,399	129,397	95,968
Finance income	1,766	1,613	399	295	358
Finance costs	(11,764)	(12,618)	(19,772)	(9,843)	(10,628)
Finance cost, net	(9,998)	(11,005)	(19,373)	(9,548)	(10,270)
Profit before income tax	110,762	152,354	172,026	119,849	85,698
Income tax expense	(30,771)	(32,521)	(38,188)	(28,204)	(20,973)
Profit for the year/period attributable to:					
Owners of the Company	79,991	119,833	133,838	91,645	64,725
Other comprehensive (loss)/income					
<i>Items that may not be subsequently reclassified to profit or loss</i>					
Currency translation differences	(472)	1,606	(951)	(89)	1,073
Total comprehensive income for the year/period	79,519	121,439	132,887	91,556	65,798
Total comprehensive income attributable to:					
Owners of the Company	79,519	121,439	132,887	91,556	65,798

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our total revenue was mainly generated from (i) supply of industrial gas which included both pipeline industrial gas and liquefied industrial gas; and (ii) supply of LNG and provision of gas transmission service. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our revenue amounted to approximately RMB1,027.2 million, RMB1,145.6 million, RMB1,305.2 million and RMB597.7 million, respectively. During the Track Record Period, all of our revenue was generated from our sales within the PRC.

The following table sets out our revenue by product/service for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Supply of pipeline industrial gas	682,021	66.4%	719,401	62.8%	931,636	71.4%	495,548	72.2%	452,122	75.6%
Supply of liquefied industrial gas	237,649	23.1%	289,714	25.3%	255,196	19.6%	136,415	19.9%	101,687	17.0%
Supply of LNG and gas transmission service	98,557	9.6%	122,952	10.7%	103,599	7.9%	47,205	6.9%	35,395	5.9%
Others ⁽¹⁾	8,970	0.9%	13,511	1.2%	14,721	1.1%	7,541	1.0%	8,528	1.5%
Total	<u>1,027,197</u>	<u>100.0%</u>	<u>1,145,578</u>	<u>100.0%</u>	<u>1,305,152</u>	<u>100.0%</u>	<u>686,709</u>	<u>100.0%</u>	<u>597,732</u>	<u>100.0%</u>

Note:

(1) Others mainly include sales of CNG and LNG for vehicles and other special gases.

The supply of industrial gas which includes pipeline and liquefied industrial gas is our core business. During the Track Record Period, a majority of our revenue was derived from the production, sales and transmission of pipeline industrial gas. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our revenue generated from supply of pipeline industry gas amounted to approximately RMB682.0 million, RMB719.4 million, RMB931.6 million and RMB452.1 million, accounting for approximately 66.4%, 62.8%, 71.4% and 75.6% of our total revenue during the same periods, respectively. The pricing for our pipeline industrial gas products is determined in accordance with the pricing arrangements specified in industrial gas supply contracts entered into between our pipeline industrial gas customers and us. For more information, please refer to the section headed “Business — Our business — Customers — Pipeline industrial gas customers” in this prospectus. During the Track Record Period, the average selling prices of our pipeline industrial gas remained stable.

The table below sets out revenue, sales volume and average selling price of our pipeline industrial gas for the periods indicated.

Supply of pipeline industrial gas

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our revenue generated from supply of liquefied industrial gas amounted to approximately RMB237.6 million, RMB289.7 million, RMB255.2 million and RMB101.7 million, accounting for approximately 23.1%, 25.3%, 19.6% and 17.0% of our total revenue during the same periods, respectively. The pricing for our liquefied industrial gas products is determined with reference to market rates. The main factors affecting such pricing include production costs, supply and demand dynamics and macro-economic conditions. During the Track Record Period, the average selling prices of our liquefied industrial gas experienced fluctuations which were generally consistent with the market movements, according to Frost & Sullivan.

The table below sets out revenue, sales volume and average selling price of our liquefied industrial gas for the periods indicated.

Supply of liquefied industrial gas

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Cost of revenues

Our cost of revenues primarily consists of consumption of utilities, depreciation, employee benefit expenses, freight expenses, consumption of raw materials and low value consumables, equipment maintenance expenses and others. Utilities are mainly consumed by our ASUs which require substantial amount of electricity in operation. Depreciation primarily relates to the property, plant and equipment we own for our production such as buildings, ASUs and pipeline. Employee benefit expenses primarily include salaries and other benefits for the employees involving in our production. Freight expenses incurred primarily from the delivery of our liquefied industrial gas to customers. Consumption of raw materials and low value consumables mainly represent the consumption of COG for the production of LNG and certain type of pipeline industrial gas. Equipment maintenance expenses mainly represent the costs incurred to repair our production equipment from time to time. In order to optimise our operational efficiency, we manage the cost of revenues of our industrial gas business as a whole. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our cost of revenues amounted to approximately RMB859.3 million, RMB926.8 million, RMB1,022.9 million and RMB457.2 million, respectively.

The table below sets out our cost of revenues by component for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Consumption of utilities	615,387	71.6%	683,449	73.7%	789,279	77.2%	409,990	78.7%	357,128	78.1%
Depreciation of property, plant and equipment	85,086	9.9%	82,842	8.9%	85,502	8.4%	43,121	8.3%	44,148	9.7%
Employee benefits expenses	34,454	4.0%	37,673	4.1%	36,276	3.5%	20,688	4.0%	15,481	3.4%
Freight expenses	17,537	2.0%	19,452	2.1%	22,006	2.2%	11,179	2.1%	9,029	2.0%
Consumption of raw materials and low value consumables	66,480	7.7%	66,997	7.2%	54,122	5.3%	23,053	4.4%	11,321	2.5%
Equipment maintenance expenses	21,780	2.5%	24,029	2.6%	24,484	2.4%	8,452	1.6%	10,244	2.2%
Others	18,573	2.3%	12,388	1.4%	11,253	1.0%	4,796	0.9%	9,854	2.1%
Total	859,297	100.0%	926,830	100.0%	1,022,922	100.0%	521,279	100.0%	457,205	100.0%

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During the Track Record Period, consumption of utilities represented the majority of our cost of revenues. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our consumption of utilities amounted to approximately RMB615.4 million, RMB683.4 million, RMB789.3 million and RMB357.1 million, accounting for approximately 71.6%, 73.7%, 77.2% and 78.1% of our total cost of revenues during the same periods, respectively. The increase in our consumption of utilities was generally consistent with the increase in our production volume over the Track Record Period.

Sensitivity analysis

For illustrative purposes, the table below sets out a sensitivity analysis of (i) the effect of fluctuations of our average selling price assumed to be 5% and 10% for pipeline industrial gas; (ii) the effect of fluctuations of our average selling price of 30% (being the approximate maximum fluctuation of the average selling price of liquefied industrial gas during the Track Record Period); and (iii) the effect of fluctuations of our utility cost assumed to be 5% and 10% on our profit before income tax during the Track Record Period.

	Impact on profit before income tax				
	For the year ended 31 December			For the six months ended	
				30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Average selling price for pipeline industrial gas</i>					
+/-5%	34,101	35,970	46,582	24,777	22,606
+/-10%	68,202	71,940	93,164	49,555	45,212
<i>Average selling price for liquefied industrial gas</i>					
+/-30%	71,295	86,914	76,559	40,925	30,506
<i>Utility cost</i>					
+/-5%	30,769	34,172	39,464	20,500	17,856
+/-10%	61,539	68,345	78,928	40,999	35,713

Gross Profit and Gross Profit Margin

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our gross profit was approximately RMB167.9 million, RMB218.7 million, RMB282.2 million and RMB140.5 million, respectively. Our gross profit margin for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 was approximately 16.3%, 19.1%, 21.6% and 23.5%, respectively. Our overall gross profit margin is primarily affected by our business mix and our management of operation efficiency as a whole.

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According to the Frost & Sullivan Report, the industry norm for pricing of the supply of pipeline industrial gas was on a cost-plus basis. Further, it is not uncommon that the prices of pipeline industrial gas from a particular industrial gas facility are usually agreed between the operator of the facility and its customers at the initial stage of their development. This is because this can provide the operator with security in terms of the recoverability of the significant investment in relation to the establishment of the industrial gas facility; and (ii) industrial gas suppliers and their customers aim for long-term cooperation, a pre-determined mark-up range can provide a level of certainty and stability to both parties and thus preferred by both parties.

We have a long history in supplying pipeline industrial gas to our current customers. Since our establishment in 2007, we have been the exclusive pipeline industrial gas supplier for certain members of the HBIS Group. Consistent with the industry practice, our mark-up range for the supply of pipeline industrial gas was set at that time and has since been maintained at a relatively stable level.

While the pricing of the supply of pipeline industrial gas was on a cost-plus basis, pricing of the liquefied industrial gas products was determined with reference to market prices. The market prices of the liquefied industrial gas were mainly driven by demand and supply and not necessarily tied to the cost of revenues, which allowed for more room of our profitability in this segment. Primarily due to market supply and demand, we recorded higher gross profit margin in supply of liquefied industrial gas during the Track Record Period.

The production of pipeline and liquefied industrial gas (mainly oxygen, nitrogen and argon) was based on substantially the same production process by the same ASUs (except for carbon dioxide the production of which is separate). Industrial gas is first produced by ASUs in gaseous form, and additional processing is needed to liquefy it from gaseous form into liquefied form (except for argon the production of which does not require liquefaction). We convert the pipeline industrial gas into liquefied form only when there is output surplus that is not consumed/required by pipeline industrial gas customers. If the conversion process is not carried out, such surplus would then be released as waste gas. With the liquefier installed to support the liquefaction process, the waste gas is recycled to produce liquefied industrial gas. Regardless of whether liquefied oxygen and nitrogen is produced, oxygen and nitrogen in gas form is generated with the operation of ASUs for 24 hours a day. Based on the above, Our management considers it appropriate that only the additional costs incurred in liquefaction be apportioned to the cost of liquefied industrial gas.

The gross profit margin for our supply of pipeline industrial gas was approximately 11.3%, 10.9%, 16.1% and 18.4% for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. The gross profit margin of our supply of pipeline industrial gas was relatively stable for the years ended 31 December 2017 and 2018. The increase in our gross profit margin for the year ended 31 December 2019 was mainly attributable to a decrease in per unit cost of our consumption of utilities by approximately 6.6% for the pipeline industrial gas products and an increase in our sales volume of pipeline industrial gas by approximately 32.3% resulting from (i) improved production efficiency (an increase in utilisation rates of most of our ASUs, of which an increasing number of ASUs with 90% or above utilisation rate achieved); and (ii) a decrease in the proportion of the Group's supply of pipeline oxygen (which requires higher consumption of utilities for production compared to the production of other pipeline gas products). The gross profit margin decreased from approximately 19.4% for the six months ended 30 June 2019 to approximately 18.4% for the six months ended 30 June 2020, mainly attributable to an increase in per unit of our

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consumption of utilities by approximately 1.3% as compared to the same period for the six months ended 30 June 2019 resulting from the decrease in our sales volume of pipeline industrial gas by approximately 9.1% during the same periods. The largest cost of revenues component of our supply of pipeline industrial gas is the consumption of utilities. Through our utility purchase contracts in place with members of the HBIS Group, namely HBIS Tangshan Branch, Tangshan Stainless Steel, Tangshan Plate and HBIS Laosteel, we are able to secure utilities supply in a long term with utility prices fixed and adjustable with reference to the government prescribed price. Furthermore, pursuant to the industrial gas supply contracts with our pipeline industrial gas customers, we are allowed to adjust our pricings of industrial gas products in the event that electricity price is adjusted. As a result, we are able to pass the increase in utility costs to our pipeline industrial gas customers and maintain our gross profit margin of supply of pipeline industrial gas within a reasonable range.

The gross profit margin of our supply of liquefied industrial gas was approximately 50.2%, 47.7%, 48.9% and 54.9% for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. Similar to supply of pipeline industrial gas, our utility costs for supply of liquefied industrial gas are determined under the utility supply contracts. According to the Frost & Sullivan Report, the prices of liquefied industrial gases are generally affected by the supply and demand in the market. The average prices of liquefied oxygen and liquefied nitrogen experienced sustained increase from 2016 to 2018, while the average price of liquefied oxygen, liquefied nitrogen and liquefied argon decreased in 2019 due to the sufficient supply of major industrial gas products in the Jing-Jin-Ji Region. The gross profit margin increased from approximately 52.4% for the six months ended 30 June 2019 to approximately 54.9% for the six months ended 30 June 2020, mainly attributable to the increase in average price of our liquefied oxygen and liquefied nitrogen products in the first half of 2020 compared to the same of 2019 due to the limited supply of major industrial gas products in the market in the Jing-Jin-Ji Region. As a result, the gross profit margin of supply of liquefied industrial gas recorded fluctuations during the Track Record Period.

We recorded a gross loss margin for our supply of LNG and provision of gas transmission service for the years ended 31 December 2017 and 2018, which was approximately 30.3% and 0.8% respectively. For the year ended 31 December 2019, we recorded a gross profit margin of approximately 5.0% for our supply of LNG and provision of gas transmission service. For the six months ended 30 June 2020, we recorded a gross profit margin of approximately 0.4% for our supply of LNG and provision of gas transmission service. The gross loss margins in 2017 were mainly attributable to the lack of supply of COG for the production of LNG products for the years, where the production was suspended intermittently, which in turn led to the increase in the per unit production cost. The decrease in gross loss margin in 2018 was mainly due to the increase in average selling price of our LNG products of approximately 26.6% and the increase in unit price of our gas transmission service after the price adjustment with reference to the actual production cost incurred for the year. The gross profit margin of approximately 5.0% for the year ended 31 December 2019 was mainly due to (i) the increase in our gas transmission service provided to HBIS Tangshan Branch; and (ii) the increase in unit price of our gas transmission service for the year. Compared to the gross loss margin of approximately 7.5% for the six months ended 30 June 2019, we recorded a gross profit margin of approximately 0.4% for the six months ended 30 June 2020. Such a reversal was mainly attributable to the increase in our gas transmission service provided to HBIS Tangshan Branch, while the production and sales of LNG products were temporarily suspended during the period. We have a price

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adjustment arrangement in place with HBIS Tangshan Branch, which ensures our ability to recover the cost of LNG-related business. As a result, our Directors believe that no loss will incur for our supply of LNG and provision of gas transmission service. Please refer to the section headed “Business — Our business — LNG-related business” in this prospectus for further details.

The table below sets out our gross profit/(loss) and gross profit/(loss) margin by product/service for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross
	profit/	profit/	profit/	profit/	profit/	profit/	profit/	profit/	profit/	profit/
	(loss)	(loss)	(loss)	(loss)	(loss)	(loss)	(loss)	(loss)	(loss)	(loss)
	margin	margin	margin	margin	margin	margin	margin	margin	margin	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Supply of pipeline industrial gas	76,855	11.3%	78,762	10.9%	150,193	16.1%	95,972	19.4%	83,119	18.4%
Supply of liquefied industrial gas	119,210	50.2%	138,220	47.7%	124,701	48.9%	71,464	52.4%	55,826	54.9%
Supply of LNG and gas transmission service	(29,845)	(30.3)%	(1,010)	(0.8)%	5,171	5.0%	(3,524)	(7.5)%	138	0.4%
Others ⁽¹⁾	1,680	18.7%	2,776	20.5%	2,165	14.7%	1,518	20.1%	1,444	16.9%
Total	<u>167,900</u>	<u>16.3%</u>	<u>218,748</u>	<u>19.1%</u>	<u>282,230</u>	<u>21.6%</u>	<u>165,430</u>	<u>24.1%</u>	<u>140,527</u>	<u>23.5%</u>

Note:

(1) Others mainly include sales of CNG and LNG for vehicles and other special gases.

Selling and Marketing Expenses

Our selling expenses primarily comprise employee benefit expenses in connection with hiring and maintaining our sales team, amortisation of right-of-use assets of our sales-related offices and other expenses such as travelling expenses and other disbursement costs. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our selling and marketing expenses were approximately RMB2.7 million, RMB2.3 million, RMB1.6 million and RMB0.8 million, respectively.

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The following table sets out a breakdown of our selling and marketing expenses for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Employee benefit expenses	846	30.9%	696	30.5%	690	42.2%	368	40.2%	401	53.0%
Amortisation of right-of-use assets	629	23.0%	629	27.5%	105	6.4%	105	11.4%	—	—
Others	1,259	46.1%	959	42.0%	839	51.4%	443	48.4%	356	47.0%
Total	2,734	100.0%	2,284	100.0%	1,634	100.0%	916	100.0%	757	100.0%

Administrative Expenses

Our administrative expenses primarily comprise of (i) operating service charges in relation to (a) the maintenance services of utilities facilities provided by the HBIS Group, which amounted to RMB6.2 million, RMB6.3 million, RMB6.3 million and RMB3.4 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively; and (b) the technical and advisory services provided by CGII (Shanghai) Investment Management Co., Ltd, which amounted to RMB7.2 million, RMB7.0 million, RMB 7.1 million and RMB3.5 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively; (ii) employee benefit expenses in connection with hiring and maintaining our management and administrative staff at the headquarters and production plant level; (iii) professional service fee paid to professional parties in relation to audit, legal and advisory services; and (iv) listing expenses. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our administrative expenses were approximately RMB23.1 million, RMB22.3 million, RMB40.2 million and RMB19.9 million, respectively. The maintenance services of utilities facilities provided by the HBIS Group will be governed by the Master Miscellaneous Services Agreement as further described in the section headed “Continuing Connected Transactions — Partially Exempt Continuing Connected Transactions — (2) Master Miscellaneous Services Agreement” in this prospectus. The technical and advisory services provided by CGII (Shanghai) Investment Management Co., Ltd will be ceased upon Listing.

The following table sets out a breakdown of our administrative expenses for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Operating service charges	13,396	57.9%	13,221	59.4%	13,366	33.3%	6,955	42.0%	6,955	35.0%
Employee benefit expenses	2,780	12.0%	2,353	10.6%	1,955	4.9%	1,128	6.8%	1,089	5.5%
Professional service fee	3,080	13.3%	1,211	5.4%	974	2.4%	229	1.4%	113	0.6%
Listing expenses	—	—	2,134	9.6%	19,886	49.5%	6,349	38.3%	10,224	51.5%
Others	3,870	16.8%	3,350	15.0%	4,008	9.9%	1,914	11.5%	1,474	7.4%
Total	23,126	100.0%	22,269	100.0%	40,189	100.0%	16,575	100.0%	19,855	100.0%

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Research and Development Expenses

Our research and development expenses primarily comprise of (i) consumption of utilities in ASUs apportioned to our research and development activities; (ii) employee benefit expenses for research and development personnel; and (iii) depreciation of property, plant and equipment associated with research and development activities. Our research and development activities mainly included studies and research on optimising our production efficiency when utilising our ASUs for the production of industrial gas products, in which majority of the relevant expenses incurred were related to consumption of utilities for our ASUs. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our research and development expenses were approximately RMB21.8 million, RMB31.6 million, RMB50.8 million and RMB24.7 million, respectively.

The following table sets out a breakdown of our research and development expenses for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Consumption of utilities	14,279	65.4%	20,678	65.4%	33,201	65.3%	11,193	57.9%	16,358	66.3%
Employee benefit expenses	5,987	27.4%	5,541	17.5%	7,815	15.4%	3,680	19.0%	3,655	14.8%
Depreciation of property, plant and equipment	1,509	6.9%	5,336	17.0%	9,183	18.1%	3,956	20.5%	4,061	16.4%
Others	49	0.3%	75	0.1%	635	1.2%	503	2.6%	616	2.5%
Total	21,824	100.0%	31,630	100.0%	50,834	100.0%	19,332	100.0%	24,690	100.0%

Other Income

Other income primarily comprises of income we derive from investing in bank wealth management products and government grants. The wealth management products being invested during the Track Record Period were all low risk wealth management products with short maturity date, high liquidity and no penalty being charged for early withdrawal. As a policy, we invest in wealth management products only when we have excessive/idle cash on hand and after foreseeing that no major cash outflow is needed in the foreseeable future. Going forward, we intend to continue to limit our investments in those wealth management products that are risk-low, with short-term maturity and high liquidity based on the same and consistent criterion. Government grants recognised under other income were mainly in connection with our advanced production technology and social security benefits. These government grants were not subject to any unfulfilled conditions and other contingencies, and non-recurrent in nature. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our other income was approximately RMB0.8 million, RMB2.1 million, RMB2.2 million and RMB1.6 million, respectively.

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The following table sets out a breakdown of our other income for the periods indicated.

	For the year ended 31 December			For the six months ended	
				30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investment income from bank					
wealth management products	276	2,003	345	343	—
Government grants	201	104	1,901	421	1,578
Others	349	3	1	—	—
Total	826	2,110	2,247	764	1,578

Other (losses)/gains, net

Our other losses, net were primarily derived from foreign exchange and disposal of property, plant and equipment during the Track Record Period. Our foreign exchange losses were in relation to currency translation difference between USD and Renminbi. Our gain/(losses) on disposal of property, plant and equipment was in relation to the disposal of machinery and vehicles. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we recorded other losses, net of approximately RMB0.3 million, RMB1.3 million, RMB0.4 million and RMB0.8 million, respectively.

The following table sets out our losses, net for the periods indicated.

	For the year ended 31 December			For the six months ended	
				30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange					
gains/(losses)	446	(1,436)	(29)	26	(475)
Gains/(losses) on disposal of					
property, plant and equipment	—	133	(392)	—	(131)
Others	(728)	(13)	—	—	(229)
Total	(282)	(1,316)	(421)	26	(835)

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Finance Costs, Net

Finance costs, net primarily consist of interests expenses on (i) bank borrowings; (ii) discount of notes receivables; and (iii) lease liabilities, offset by interest income from bank deposits. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our finance costs, net were approximately RMB10.0 million, RMB11.0 million, RMB19.4 million and RMB10.3 million, respectively.

The following table sets out a breakdown of our finance costs, net for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income:					
Interest income from bank deposits	1,766	1,613	399	295	358
Finance costs:					
Interest expenses on bank borrowings	(11,364)	(12,264)	(18,627)	(9,488)	(9,910)
Interest expenses on discount of notes receivables	—	—	(180)	—	—
Interest expenses on lease liabilities	(400)	(354)	(965)	(355)	(718)
Finance costs expensed	(11,764)	(12,618)	(19,772)	(9,843)	(10,628)
Finance costs, net	(9,998)	(11,005)	(19,373)	(9,548)	(10,270)

Profit before Income Tax

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our profit before income tax was approximately RMB110.8 million, RMB152.4 million, RMB172.0 million and RMB85.7 million, respectively.

Income Tax Expenses

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our income tax expenses were approximately RMB30.8 million, RMB32.5 million, RMB38.2 million and RMB21.0 million, respectively. For the same years, our effective tax rate was 27.8%, 21.3%, 22.2% and 24.5%, respectively. The tax on our profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC. For more details, please refer to Note 14 to the Accountant's Report as set out in Appendix I to this prospectus.

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The table below sets out our income tax expense for the periods indicated.

	For the year ended 31 December			For the six months ended	
				30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax	23,966	21,221	23,403	17,634	12,754
Deferred income tax	6,805	11,300	14,785	10,570	8,219
Total	30,771	32,521	38,188	28,204	20,973

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and is not subject to income tax. Upon payments of dividends by our Company to our Shareholders, no Cayman Islands withholding tax will be imposed.

PRC

Our income tax provision in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in the PRC is 25%. TTG and Luanxian Tangsteel Gases, which are our subsidiaries, were approved as High and New Technology Enterprise in the PRC since 2016 and 2018, respectively. Accordingly, TTG and Luanxian Tangsteel Gases enjoyed a preferential income tax rate of 15% from 2016 to 2018 and from 2018 to 2020, respectively. On 10 September 2019, TTG was granted a renewal of High and New Technology Enterprise recognition and therefore was entitled to the 15% preferential tax rate for another three years from 2019 to 2021. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, tax effects of preferential income tax rates applicable to TTG and Luanxian Tangsteel Gases in aggregate were approximately RMB7.4 million, RMB15.7 million, RMB19.4 million and RMB9.7 million, respectively.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. We had recognised deferred tax liabilities for undistributed profits of our subsidiaries in the PRC.

During the Track Record Period, TTG was entitled to claim part of its research and development expenses as tax deductible expenses when determining its assessable profits for the relevant year. According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year. Further, according to regulations

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promulgated by the State Tax Bureau of the PRC that was effective from 2018 to 2020, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, our subsidiaries in China were entitled to deduct 10% of their revenue generated from supply of self-produced industrial hydrogen gas when determining their assessable profits during the Track Record Period.

For the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, we had tax surcharges in the amount of approximately RMB6.9 million, RMB7.5 million, RMB8.0 million and RMB4.0 million, respectively. The tax surcharges primarily represented normal surcharges on value-added tax payments in accordance with applicable PRC tax regulations, such as urban maintenance and construction tax as well as surtax for education expenses. Our land use tax, property tax, stamp duty as well as vehicle and vessel use tax were also included in the tax surcharges.

Compliance confirmations from local tax authorities had been obtained to confirm the tax position of each of the PRC subsidiaries of the Group during the Track Record Period.

Our Directors confirm that we had made all the required tax filings under the relevant PRC tax laws and regulations and had paid all outstanding tax liabilities, and that we were not subject to any actual or potential dispute with the tax authorities and/or any tax investigation during the Track Record Period and up to the Latest Practicable Date.

Profit for the Year/Period

As a result of the foregoing, for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, our net profit was approximately RMB80.0 million, RMB119.8 million, RMB133.8 million and RMB64.7 million, respectively. For the same years, our net profit margin was approximately 7.8%, 10.5%, 10.3% and 10.8%, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2020 compared to six months ended 30 June 2019

Revenue

Our revenue decreased by approximately RMB89.0 million, or 13.0%, from approximately RMB686.7 million for the six months ended 30 June 2019 to approximately RMB597.7 million for the six months ended 30 June 2020, primarily attributable to (i) the decrease in revenue generated from our supply of pipeline industrial gas by approximately RMB43.4 million, due to the decrease in sales volume of oxygen and nitrogen by approximately 8.8% and 9.3%, respectively, resulting from the decrease in orders from HBIS Group as a result of the impact of COVID-19; and (ii) the decrease in

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revenue generated from our supply of liquefied industrial gas by approximately RMB34.7 million, due to the decrease in sales volume of liquefied oxygen and liquefied argon by approximately 36.7% and 17.6%, respectively, resulting from the decrease in orders from our liquefied industrial gas customers due to the impact of COVID-19, in March and April 2020.

Cost of revenues

Our cost of revenues decreased by approximately RMB64.1 million, or 12.3%, from approximately RMB521.3 million for the six months ended 30 June 2019 to approximately RMB457.2 million for the six months ended 30 June 2020, primarily attributable to (i) the decrease in consumption of utilities by approximately RMB52.9 million as a result of the decreased production level of industrial gas due to the decrease in our customers' demand resulting from the impact of COVID-19 mainly during March and April 2020.

Gross Profit

Our gross profit decreased by approximately RMB24.9 million, or 15.1%, from approximately RMB165.4 million for the six months ended 30 June 2019 to approximately RMB140.5 million for the six months ended 30 June 2020. Our gross profit margin decreased from approximately 24.1% for the six months ended 30 June 2019 to approximately 23.5% for the six months ended 30 June 2020. The decrease in gross profit and gross profit margin was primarily attributable to the decrease in the gross profit of our supply of pipeline industrial gas and liquefied industrial gas by approximately RMB12.9 million and RMB15.6 million, respectively, resulting from the decrease in demand from our customers due to the impact of COVID-19 mainly during March and April 2020. Such impact was partially offset by the increase in average price of our liquefied oxygen and liquefied nitrogen products for the first half of 2020 as compared to the same period of 2019.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB0.1 million, or 17.4%, from approximately RMB0.9 million for the six months ended 30 June 2019 to approximately RMB0.8 million for the six months ended 30 June 2020, primarily due to the decrease in amortisation of right-of-use assets by approximately RMB0.1 million for the period.

Administrative Expenses

Our administrative expenses increased by approximately RMB3.3 million, or 19.8%, from approximately RMB16.6 million for the six months ended 30 June 2019 to approximately RMB19.9 million for the six months ended 30 June 2020, primarily due to the increase in listing expenses by approximately RMB3.9 million in relation to the Listing.

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Research and Development Expenses

Our research and development expenses increased by approximately RMB5.4 million, or 27.7%, from approximately RMB19.3 million for the six months ended 30 June 2019 to approximately RMB24.7 million for the six months ended 30 June 2020, mainly due to the increase in consumption of utilities as more research and development activities in relation to special gas products and the improvement of our production processes for pipeline and liquefied industrial gas products were conducted during the period.

Other Income

Our other income increased by approximately RMB0.8 million, or 106.5%, from approximately RMB0.8 million for the six months ended 30 June 2019 to approximately RMB1.6 million for the six months ended 30 June 2020, primarily attributable to an increase in government grants by approximately RMB1.1 million in relation to the government's support of the proposed listings of local enterprises, which was offset by the decrease in investment income from bank wealth management products by approximately RMB0.3 million as no such short-term products were purchased during the period.

Other Gains/(Losses), Net

We recorded other gains, (net) of approximately RMB0.03 million for the six months ended 30 June 2019 and a other losses, (net) of approximately RMB0.8 million for the six months ended 30 June 2020, mainly due to the reversal of losses in foreign exchange to gains mainly resulting from the fluctuation of US dollars against RMB.

Finance Costs, Net

Our finance costs, (net) increased by approximately RMB0.7 million, or 7.6%, from approximately RMB9.5 million for the six months ended 30 June 2019 to approximately RMB10.3 million for the six months ended 30 June 2020, primarily attributable to an increase in interest expenses on bank borrowings by approximately RMB0.4 million resulting from the increase in our bank borrowings drawn down during the period.

Profit before Income Tax

As a result of the foregoing, our profit before income tax decreased by approximately RMB34.2 million, or 28.5%, from approximately RMB119.8 million for the six months ended 30 June 2019 to approximately RMB85.7 million for the six months ended 30 June 2020.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB7.2 million, or 25.6%, from approximately RMB28.2 million for the six months ended 30 June 2019 to approximately RMB21.0 million for the six months ended 30 June 2020, mainly due to the decrease in profit before tax for the period.

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Profit for the Period

Our net profit decreased by approximately RMB26.9 million, or 29.4% from approximately RMB91.6 million for the six months ended 30 June 2019 to approximately RMB64.7 million for the six months ended 30 June 2020, as a result of the aforementioned changes.

Year ended 31 December 2019 compared to year ended 31 December 2018

Revenue

Our revenue increased by approximately RMB159.6 million, or 13.9%, from approximately RMB1,145.6 million for the year ended 31 December 2018 to approximately RMB1,305.2 million for the year ended 31 December 2019, primarily attributable to the increase in revenue generated from our supply of pipeline industrial gas by approximately RMB212.2 million, due to the increase in sales volume of oxygen and nitrogen by approximately 30.2% and 34.3%, respectively. The increase in revenue was partly offset by a decrease in revenue generated from our supply of liquefied industrial gas of approximately RMB34.5 million mainly resulting from the decrease in the average selling price of liquefied oxygen by approximately 27.8% for the year despite an increase in its sale volume by approximately 13.4%.

Cost of revenues

Our cost of revenues increased by approximately RMB96.1 million, or 10.4%, from approximately RMB926.8 million for the year ended 31 December 2018 to approximately RMB1,022.9 million for the year ended 31 December 2019, primarily attributable to (i) the increase in consumption of utilities by approximately RMB105.8 million as a result of the increased production level of industrial gas; and (ii) the increase in depreciation of property, plant and equipment by approximately RMB2.7 million as a result of full year operation of acquisition of two sets of ASU for our TTG Laoting Branch plant in the fourth quarter of 2018 in response to the increase in our customers' demand. This increase was partly offset by the decrease in consumption of raw materials and low value consumables by approximately RMB12.9 million, mainly due to the decrease in the consumption of COG, which resulted from the decrease in the sales of LNG products by approximately 70.9% during the year.

Gross Profit

Our gross profit increased by approximately RMB63.5 million, or 29.0%, from approximately RMB218.7 million for the year ended 31 December 2018 to approximately RMB282.2 million for the year ended 31 December 2019. Our gross profit margin increased from approximately 19.1% for the year ended 31 December 2018 to approximately 21.6% for the year ended 31 December 2019. The increase in gross profit was primarily attributable to an increase in the gross profit of our supply of pipeline industrial gas by approximately RMB71.4 million, due to the increase in our sales volume of pipeline industrial gas by approximately 32.3% for the year. The increase in gross profit margin was mainly due to a decrease in per unit cost of our consumption of utilities by approximately 6.6% for the pipeline industrial gas products and an increase in our sales volume of pipeline industrial gas by approximately 32.3% resulting from (i) improved production efficiency (an increase in utilisation

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rates of most of our ASUs, of which an increasing number of ASUs with 90% or above utilisation rate achieved); and (ii) a decrease in the proportion of the Group's supply of pipeline oxygen (which requires higher consumption of utilities for production compared to the production of other pipeline gas products).

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB0.7 million, or 28.5%, from approximately RMB2.3 million for the year ended 31 December 2018 to approximately RMB1.6 million for the year ended 31 December 2019, primarily due to the decrease in amortisation of right-of-use assets by approximately RMB0.5 million for the year resulting from the termination of an office rental for sales staff in the first quarter of 2019.

Administrative Expenses

Our administrative expenses increased by approximately RMB17.9 million, or 80.5%, from approximately RMB22.3 million for the year ended 31 December 2018 to approximately RMB40.2 million for the year ended 31 December 2019, primarily due to the increase in Listing expenses by approximately RMB17.8 million in relation to the Listing and the increase in other expenses by approximately RMB0.7 million. The increase was partly offset by the decrease in employee benefit expenses by approximately RMB0.4 million primarily due to internal transfer of an employee from administrative position to a role responsible for construction work at the Zhongqi Investment plant during the year and the decrease in professional service fee by RMB0.2 million.

Research and Development Expenses

Our research and development expenses increased by approximately RMB19.2 million, or 60.7%, from approximately RMB31.6 million for the year ended 31 December 2018 to approximately RMB50.8 million for the year ended 31 December 2019, mainly due to the increase in consumption of utilities by approximately RMB12.5 million as more research and development activities was conducted during the year.

Other Income

Our other income slightly increased from approximately RMB2.1 million for the year ended 31 December 2018 to approximately RMB2.2 million for the year ended 31 December 2019, primarily attributable to an increase in the government grants received by approximately RMB1.8 million mainly related to the reward of approximately RMB1.0 million from the government to recognise our achievement in information technology development, and partly offset by the decrease in investment income from bank wealth management products by approximately RMB1.7 million as less such short-term products were purchased during the year.

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Other Losses, Net

Our other losses, (net) decreased by approximately RMB0.9 million from approximately RMB1.3 million for the year ended 31 December 2018 to approximately RMB0.4 million for the year ended 31 December 2019, mainly due to a decrease in foreign exchange losses, net by approximately RMB1.4 million mainly resulting from the fluctuation of US dollars against RMB, partly offset by the change of gains on disposal of property, plant and equipment of approximately RMB0.1 million for the year ended 31 December 2018 to the loss of disposal of property, plant and equipment of approximately RMB0.4 million for the year ended 31 December 2019, respectively, resulting from the disposal of vehicles during the year.

Finance Costs, Net

Our finance costs, (net) increased by approximately RMB8.4 million, or 76.0%, from approximately RMB11.0 million for the year ended 31 December 2018 to approximately RMB19.4 million for the year ended 31 December 2019, primarily attributable to (i) the increase in interest expenses on bank borrowings by approximately RMB6.4 million due to the higher interest rate of our long-term borrowing obtained in December 2018; (ii) a decrease in finance income by approximately RMB1.2 million; and (iii) the increase in interest expenses on lease liabilities by approximately RMB 0.6 million due to the addition of right-of-use assets during the year.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by approximately RMB19.7 million, or 12.9%, from approximately RMB152.4 million for the year ended 31 December 2018 to a profit of approximately RMB172.0 million for the year ended 31 December 2019.

Income Tax Expenses

Our income tax expenses increased by approximately RMB5.7 million, or 17.4%, from approximately RMB32.5 million for the year ended 31 December 2018 to approximately RMB38.2 million for the year ended 31 December 2019, due to the increase in profit before tax for the year.

Profit for the Year

Our net profit increased by approximately RMB14.0 million, or 11.7% from approximately RMB119.8 million for the year ended 31 December 2018 to approximately RMB133.8 million for the year ended 31 December 2019, as a result of the aforementioned changes.

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by approximately RMB118.4 million, or 11.5%, from approximately RMB1,027.2 million for the year ended 31 December 2017 to approximately RMB1,145.6 million for the year ended 31 December 2018, primarily attributable to (i) the increase in the revenue generated from our supply of pipeline industrial gas by approximately RMB37.4 million, due to the increase in

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our sales volume of oxygen by approximately 9.1% after the acquisition of two sets of ASU from a related party, namely Tangshan Plate in the fourth quarter of 2018 in respond to the increase in its demand; (ii) the increase in revenue generated from our supply of liquefied industrial gas by approximately RMB52.1 million, due to the increase in sales volume of oxygen by approximately 37.9% and the increase in its average selling price by approximately 26.5%; and (iii) a slight increase in revenue generated from our supply of LNG and provision of gas transmission service by approximately RMB24.4 million, due to the increase in unit price of the provision of gas transmission service.

Cost of revenues

Our cost of revenues increased by approximately RMB67.5 million, or 7.9%, from approximately RMB859.3 million for the year ended 31 December 2017 to approximately RMB926.8 million for the year ended 31 December 2018, primarily attributable to the increase in consumption of utilities by approximately RMB68.1 million as we continued to increase our production level.

Gross Profit

Our gross profit increased by approximately RMB50.8 million, or 30.3%, from approximately RMB167.9 million for the year ended 31 December 2017 to approximately RMB218.7 million for the year ended 31 December 2018. Our gross margin increased from approximately 16.3% for the year ended 31 December 2017 to approximately 19.1% for the year ended 31 December 2018. The increase in gross profit and gross profit margin was primarily attributable to the decrease in the gross loss recorded in supply of LNG and provision of gas transmission service by approximately RMB28.8 million, due to the increase in average selling price of LNG products and increase in unit price of our gas transmission service after the price adjustment with reference to the actual production costs incurred for the year. Please refer to the section headed “Business — Our business — LNG-related business” in this prospectus for more details. Meanwhile, the gross profit margin of the pipeline industrial gas decreased from approximately 11.3% for the year ended 31 December 2017 to approximately 10.9% for the year ended 31 December 2018 mainly attributable to (i) the increase in per unit cost of consumption of utilities for pipeline industrial gas by approximately 5.3% as more ASUs were in operation for the production of pipeline industrial gas for the year ended 31 December 2018 whereas the utilisation rate of some ASUs was below 50%; and (ii) an increase in production volume of pipeline oxygen by 9.1% from 2017 to 2018, which required more consumption of utilities for production compared to other pipeline gas products, was sold during the year.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB0.4 million, or 16.5%, from approximately RMB2.7 million for the year ended 31 December 2017 to approximately RMB2.3 million for the year ended 31 December 2018, mainly due to the decrease in employee benefit expenses by approximately RMB0.2 million primarily due to internal transfer of an employee from sales position to a role responsible for statistic work at Luanxian Tangsteel Gases during the year.

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Administrative Expenses

Our administrative expenses slightly decreased by approximately RMB0.9 million, or 3.7%, from approximately RMB23.1 million for the year ended 31 December 2017 to RMB22.3 million for the year ended 31 December 2018, primarily due to (i) the decrease in employee benefit expenses by approximately RMB0.4 million mainly resulting from transfer out of two administrative employees during the year; and (ii) the decrease in other expenses by approximately RMB0.5 million.

Research and Development Expenses

Our research and development expenses increased by approximately RMB9.8 million, or 44.9%, from approximately RMB21.8 million for the year ended 31 December 2017 to approximately RMB31.6 million for the year ended 31 December 2018, mainly due to the increase in our research and development activities conducted during the year which led to (i) the increase in consumption of utilities by approximately RMB6.4 million; and (ii) the increase in depreciation of property, plant and equipment by approximately RMB3.8 million.

Other Income

Other income increased by approximately RMB1.3 million, or 155.4%, from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB2.1 million for the year ended 31 December 2018, primarily as a result of the increase in investment income from bank wealth management products by approximately RMB1.7 million resulting from more such short-term products purchased during the year.

Other Losses, Net

Our other losses, net increased by approximately RMB1.0 million from approximately RMB0.3 million for the year ended 31 December 2017 to approximately RMB1.3 million for the year ended 31 December 2018, mainly due to the losses in foreign exchange by approximately RMB1.4 million resulting from the fluctuation of USD against RMB for the year and partly offset by a gain on disposal of property, plant and equipment of approximately RMB0.1 million for the year ended 31 December 2018.

Finance Costs, Net

Finance costs, net increased slightly by approximately RMB1.0 million from approximately RMB10.0 million for the year ended 31 December 2017 to approximately RMB11.0 million for the year ended 31 December 2018, primarily attributable to the increase in interest expenses on bank borrowings by approximately RMB0.9 million due to the increase in our bank borrowings drawn down during the year.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by approximately RMB41.6 million, or 37.6%, from approximately RMB110.8 million for the year ended 31 December 2017 to approximately RMB152.4 million for the year ended 31 December 2018.

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Income Tax

Income tax expenses increased by approximately RMB1.8 million, or 5.7%, from approximately RMB30.8 million in 2017 to approximately RMB32.5 million in 2018, primarily due to the increase in tax calculated at PRC statutory income tax rate by approximately RMB10.4 million as a result of the increase in the profit before tax for the year, partly offset by the increase in tax benefits obtained by approximately RMB8.2 million under preferential income tax rate.

Profit for the Year

Our net profit increased by approximately RMB39.8 million, or 49.8%, from approximately RMB80.0 million for the year ended 31 December 2017 to approximately RMB119.8 million for the year ended 31 December 2018, as a result of the aforementioned changes.

DISCUSSION OF CERTAIN ITEMS OF CONSOLIDATED BALANCE SHEETS

Current Assets and Liabilities

The following table sets out certain items of our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 August
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	7,218	6,834	11,116	9,104	8,646
Trade receivables	104,696	232,259	277,810	240,135	286,368
Prepayments, deposits and other receivables	54,820	74,607	134,905	81,583	118,962
Financial assets at fair value through other comprehensive income	111,967	107,297	51,317	63,181	46,813
Financial assets at fair value through profit or loss	—	4,500	—	—	—
Cash and cash equivalents	121,403	206,821	139,790	359,003	299,521
Total current assets	400,104	632,318	614,938	753,006	760,310
Current liabilities					
Trade and other payables	165,191	404,504	320,145	255,555	273,586
Contract liabilities	10,778	10,473	7,094	7,298	9,070
Borrowings	250,000	238,000	258,000	270,000	250,000
Lease liabilities	1,410	1,294	7,408	7,805	8,147
Income tax liabilities	6,931	5,586	4,793	1,218	5,830
Total current liabilities	434,310	659,857	597,440	541,876	546,633
Net current (liabilities)/assets	(34,206)	(27,539)	17,498	211,130	213,677

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As at 31 August 2020, our net current assets were approximately RMB213.7 million, consisting of current assets of approximately RMB760.3 million and current liabilities of approximately RMB546.6 million. Our net current assets increased by approximately RMB2.5 million, or 1.2%, from approximately RMB211.1 million as at 30 June 2020 to approximately RMB213.7 million as at 31 August 2020. The increase was primarily due to (i) an increase in trade receivables by approximately RMB46.2 million mainly resulting from the sales of our industrial gas products to our customers during the period; and (ii) an increase in prepayments, deposits and other assets by approximately RMB37.4 million mainly resulting from the advance to CGI of approximately RMB33.2 million, which will be settled by listing; partly offset by (i) a decrease in cash and cash equivalents of approximately RMB59.5 million mainly resulting from the repayment of bank borrowings of approximately RMB20.0 million and the advance to CGI of approximately RMB33.2 million; (ii) a decrease in financial assets at fair values through other comprehensive income by approximately RMB16.4 million mainly attributable to a decrease in notes receivables from our customers for settling their invoices; and (iii) an increase in income tax liabilities by approximately RMB4.6 million.

As at 30 June 2020, our net current assets were approximately RMB211.1 million, consisting of current assets of approximately RMB753.0 million and current liabilities of approximately RMB541.9 million. Our net current assets increased by approximately RMB193.6 million, or 1,106.6%, from approximately RMB17.5 million as at 31 December 2019 to approximately RMB211.1 million as at 30 June 2020. The increase was primarily due to (i) an increase in cash and cash equivalents by approximately RMB219.2 million mainly resulting from an increase in bank borrowing during the period; (ii) a decrease in trade and other payables by approximately RMB64.6 million mainly resulting from faster settlement of our trade payables during the period, partly offset by (i) a decrease in prepayments, deposits and other receivables by approximately RMB53.3 million mainly due to the settlement of receivables due from Tangshan Meijin during the period; and (ii) a decrease in trade receivables by approximately RMB37.7 million resulting from the settlement of our customers during the period.

As at 31 December 2019, our net current assets were approximately RMB17.5 million, consisting of current assets of approximately RMB614.9 million and current liabilities of approximately RMB597.4 million. Our net current liabilities of approximately RMB27.5 million as at 31 December 2018 were improved to net current assets of approximately RMB17.5 million as at 31 December 2019, primarily due to (i) a decrease in trade and other payables by approximately RMB84.4 million mainly resulting from the settlement of purchases and construction costs for the production plants and equipment in Zhongqi Investment before year end; (ii) an increase in prepayments, deposits and other receivables by approximately RMB60.3 million mainly resulting from the increase in VAT recoverable regarding the construction of production site of Zhongqi Investment plant during the year and the increase in receivables due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year; (iii) an increase in trade receivables by approximately RMB45.6 million mainly resulting from the increase in our supply of pipeline industrial gas during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system, which was partly offset by (i) a decrease in cash and cash equivalents by approximately RMB67.0 million; (ii) a decrease in financial assets at fair value through other

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comprehensive income by approximately RMB56.0 million mainly resulting from the utilisation of notes receivables to settle the construction costs for the production plants and equipment in Zhongqi Investment plant; (iii) an increase in borrowings (which were recorded as current liabilities) by RMB20.0 million; and an increase in lease liabilities of approximately RMB6.1 million.

As at 31 December 2018, our net current liabilities were approximately RMB27.5 million, consisting of current assets of approximately RMB632.3 million and current liabilities of approximately RMB659.9 million. Our net current liabilities decreased by approximately RMB6.7 million, or 19.5%, from approximately RMB34.2 million as at 31 December 2017 to approximately RMB27.5 million as at 31 December 2018. The decrease was primarily due to (i) the increase in trade receivables by approximately RMB127.6 million mainly resulting from our business growth during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system; (ii) the increase in cash and cash equivalents by approximately RMB85.4 million; (iii) the increase in prepayments, deposits and other receivables by approximately RMB19.8 million; and (iv) the decrease in borrowings by approximately RMB12.0 million, partly offset by the increase in trade and other payables by approximately RMB239.3 million mainly resulting from the increase in our production in 2018, which led to the increase in trade payables in relation to consumption of utilities.

Inventories

Our inventories mainly consist of finished goods and spare parts. Finished goods mainly consist of unsold or unutilised liquefied industrial gas and LNG products. We may, under exceptional circumstances, maintain minimal inventories of spare parts on an as-needed basis for our production equipment and machinery.

The following table sets out a breakdown of the inventories as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	3,672	3,807	7,650	5,637
Spare parts	3,546	3,027	3,466	3,467
	<u>7,218</u>	<u>6,834</u>	<u>11,116</u>	<u>9,104</u>

Our inventories slightly decreased by approximately RMB0.4 million, or 5.3%, from approximately RMB7.2 million as at 31 December 2017 to approximately RMB6.8 million as at 31 December 2018. Our inventories increased by approximately RMB4.3 million, or 62.7%, from approximately RMB6.8 million as at 31 December 2018 to approximately RMB11.1 million as at 31 December 2019 mainly attributable to the increase in our finished goods by approximately RMB3.8 million. Our inventories decreased by approximately RMB2.0 million, or 18.1%, from approximately RMB11.1 million as at 31 December 2019 to approximately RMB9.1 million as at 30 June 2020 mainly attributable to the decrease in our finished goods by approximately RMB2.0 million.

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Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in “cost of revenues” in the consolidated statements of comprehensive income. For each of the period end, the ageing of our inventories of finished goods were within 30 days after production, whereas the ageing of our inventories of spare parts mostly exceeded three years because it is required to maintain certain number of spare parts for repairing machinery to avoid interruption in production. Due to the above reasons, our Directors considered that no impairment is necessary in respect of our inventories. No provision for impairment expense of inventory for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Since our spare parts were only maintained for repairing machinery to avoid interruption in production, our Directors believe that average finished goods turnover days should be used to reflect the actual turnover of our finished goods over the Track Record Period. The following table sets out our average finished goods turnover days for the periods indicated.

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
				2020
Average finished goods turnover days ⁽¹⁾	8	6	13	27

Note:

- (1) Average finished goods turnover days are equal to the average balances of finished goods divided by the respective cost of revenues and multiplied by 365 days for a year (or 180 days for the six-month period). Average balances of finished goods are equal to balances of finished goods at the beginning of the period plus balances of finished goods at the end of the period and divided by two.

Our average finished goods turnover days were 8 days in 2017, 6 days in 2018, 13 days in 2019 and 27 days for the six months ended 30 June 2020. The turnover days were comparatively stable for 2017 and 2018. The increase in the turnover days in 2019 and the six months ended 30 June 2020 were mainly due to the increase in our finished goods at period end.

As at the Latest Practicable Date, 100.0% of our inventories of finished goods as at 30 June 2020 were subsequently sold.

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Trade Receivables

Our trade receivables represent outstanding amounts due from our customers mainly for our products and service.

The following table sets out our trade receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
- Related parties	75,261	207,786	257,733	220,704
- Independent Third Parties	29,435	24,473	20,077	19,431
	<u>104,696</u>	<u>232,259</u>	<u>277,810</u>	<u>240,135</u>

Our trade receivables increased by approximately RMB127.6 million, or 121.8%, from approximately RMB104.7 million as at 31 December 2017 to approximately RMB232.3 million as at 31 December 2018, which was generally consistent with our business growth. Our trade receivables increased by approximately RMB45.6 million, or 19.6%, from approximately RMB232.3 million as at 31 December 2018 to approximately RMB277.8 million as at 31 December 2019, primarily due to the increase in supply of pipeline industrial gas during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system. Our trade receivables slightly decreased by approximately RMB37.7 million, or 13.6%, from approximately RMB277.8 million as at 31 December 2019 to approximately RMB240.1 million as at 30 June 2020, primarily due to the settlement made by customers before the period end. As at 31 December 2017, 2018 and 2019 and 30 June 2020, fair values of our trade receivables approximated their carrying amounts. As at the Latest Practicable Date, approximately RMB160.4 million and RMB14.2 million, representing approximately 72.7% and 73.0% of the trade receivables from related parties and Independent Third Parties as at 30 June 2020, respectively, were subsequently settled.

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The following table sets out an ageing analysis of our trade receivables, based on the invoice date, as at the dates indicated.

	Subsequent			Subsequent			Subsequent			Subsequent		
	As at 31	settlement as at		As at 31	settlement as at		As at 31	settlement as at		As at 30	settlement as at	
	December	the Latest		December	the Latest		December	the Latest		June	the Latest	
	2017	Practicable Date		2018	Practicable Date		2019	Practicable Date		2020	Practicable Date	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
- Related parties												
Up to 6 months	75,252	75,252	100.0%	204,446	204,446	100.0%	235,038	227,137	96.6%	196,144	143,738	73.3%
6 months to 1 year	9	9	100.0%	3,340	3,340	100.0%	16,321	16,321	100.0%	24,380	16,479	67.6%
1 to 2 years	—	—	—	—	—	—	6,374	6,374	100.0%	180	180	100.0%
Over 2 years	—	—	—	—	—	—	—	—	—	—	—	—
	75,261	75,261	100.0%	207,786	207,786	100.0%	257,733	249,832	96.9%	220,704	160,397	72.7%
- Independent Third Parties												
Up to 6 months	27,706	27,706	100.0%	24,249	24,249	100.0%	19,697	19,536	99.2%	18,550	13,455	72.5%
6 months to 1 year	1,166	1,166	100.0%	156	156	100.0%	380	380	100.0%	563	402	71.4%
1 to 2 years	393	393	100.0%	68	68	100.0%	—	—	—	318	318	100.0%
Over 2 years	170	170	100.0%	—	—	—	—	—	—	—	—	—
	29,435	29,435	100.0%	24,473	24,473	100.0%	20,077	19,916	99.2%	19,431	14,175	73.0%
Total	104,696	104,696	100.0%	232,259	232,259	100.0%	277,810	269,748	97.1%	240,135	174,572	72.7%

Our trade receivables are generally collectible within 180 days from the sales date. No interest is charged on the trade receivables. The overdue balances were mainly due from certain frequent customers which are members of the HBIS Group and our Directors consider that these receivables are recoverable with no significant credit losses. No provision for impairment loss for trade receivables was made as at 31 December 2017, 2018 and 2019 and 30 June 2020 as the trade receivables were considered to be of low credit risk and the expected credit loss of these trade receivables was minimal. As at 31 December 2017, 2018 and 2019 and 30 June 2020, approximately 71.8%, 89.5%, 92.8% and 91.9% of our trade receivables were due from the HBIS Group. Given the strong and mutual business relationship with the HBIS Group and its good reputation, our management does not expect that there will be any significant losses from non-performance by the HBIS Group. The credit period granted to our customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience, business relationship with our Company and other factors. In view of the sound collection history of receivables due from them, our management believes that the credit risk inherent in our outstanding trade receivables balances due from them is not significant. In addition, there was no unfavourable current conditions and forecast of future economic conditions as at 31 December 2017, 2018 and 2019 and 30 June 2020.

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The following table sets out our average trade receivables turnover days for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Average trade receivables turnover days				
- Related Parties	28	62	78	82
- Independent Third Parties	42	33	40	52
Total	31	54	72	78

Note: Average trade receivables turnover days are equal to the average gross trade receivables divided by revenue and multiplied by 365 days for a year (or 180 days for the six-month period). Average gross trade receivables are equal to gross trade receivables at the beginning of the period plus gross trade receivables at the end of the period and divided by two.

Average trade receivables turnover days provide a general indication of the time required for us to collect cash payments from customers. Our average trade receivables turnover days for related parties increased from 28 days in 2017 to 62 days in 2018 and further to 78 days in 2019 and 82 days for the six months ended 30 June 2020, due to the gradual implementations of a new account system by members of the HBIS Group which resulted in their prolonged internal approval and repayment processes. As a result, our average trade receivables turnover days increased from 31 days in 2017 to 54 days in 2018 and further to 72 days in 2019 and 78 days for the six months ended 30 June 2020.

As at the Latest Practicable Date, approximately RMB104.7 million, RMB232.3 million, RMB269.7 million and RMB174.6 million of trade receivables or approximately 100.0%, 100.0%, 97.1% and 72.7% of trade receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020 were subsequently settled, respectively.

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Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly include VAT recoverable, receivables due from a related party, prepaid utilities and other prepayments and deferred listing expense. The following table sets out our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB '000	RMB '000	RMB '000	RMB '000
VAT recoverable	31,311	34,589	62,645	67,484
Receivables due from a related party ⁽¹⁾	16,342	34,924	63,444	—
Utilities and other prepayments	5,585	3,091	1,223	1,804
Deferred listing expense	—	681	6,328	9,101
Prepaid income tax	1,083	—	—	—
Deposits	400	400	400	2,498
Others	99	922	865	696
	<u>54,820</u>	<u>74,607</u>	<u>134,905</u>	<u>81,583</u>

Note:

- (1) Related party refers to Tangshan Meijin. Pursuant to an electricity transmission arrangement entered between Luanxian Tangsteel Gases and Tangshan Meijin, Luanxian Tangsteel Gases made payment of utilities on behalf of Tangshan Meijin during the Track Record Period. Such arrangement originated based on the close proximity between the production plants of both parties. Under the arrangement, Tangshan Meijin was responsible for building the utilities stations and network in the industrial areas to supply utilities to the Luanxian plant while Luanxian Tangsteel Gases was responsible for registering a utility account with the local electricity bureau as well as making electricity payments on behalf of Tangshan Meijin. The continuous increase in our receivables due from Tangshan Meijin as at 31 December 2017, 2018 and 2019 was mainly due to the continuous payment of utilities of approximately RMB11.0 million, RMB18.6 million, RMB28.5 million on behalf of Tangshan Meijin for the years ended 31 December 2017, 2018 and 2019, respectively. In June 2020, the receivables due from Tangshan Meijin as at 31 December 2019 had been fully settled.

Our prepayments, deposit and other receivables increased by approximately RMB19.8 million, or 36.1%, from approximately RMB54.8 million as at 31 December 2017 to approximately RMB74.6 million as at 31 December 2018, primarily due to the increase in receivables due from a related party by approximately RMB18.6 million resulting from the payment of utilities on behalf of Tangshan Meijin in 2018, which was partly offset by (i) the decrease in utilities and other prepayments by approximately RMB2.5 million; and (ii) the decrease in prepaid income tax by approximately RMB1.1 million in 2018. Our prepayments, deposit and other receivables increased by approximately RMB60.3 million, or 80.8%, from approximately RMB74.6 million as at 31 December 2018 to approximately RMB134.9 million as at 31 December 2019, primarily due to (i) the increase in VAT recoverable by approximately RMB28.1 million, mainly resulting from the construction of production site of Zhongqi Investment plant during the year; (ii) the increase in receivables due from a related party by approximately RMB28.5 million resulting from the payment of utilities on behalf of

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Tangshan Meijin during the year; and (iii) the increase in deferred listing expenses by approximately RMB5.6 million. The increase was partly offset by the decrease in utilities and other prepayments by approximately RMB1.9 million. Our prepayments, deposit and other receivables decreased by approximately RMB53.3 million, or 39.5%, from approximately RMB134.9 million as at 31 December 2019 to approximately RMB81.6 million as at 30 June 2020, primarily due to the settlement of receivables due from Tangshan Meijin by approximately RMB63.4 million, which was partly offset by (i) the increase in VAT recoverable by approximately RMB4.8 million, mainly resulting from the construction of production site of Zhongqi Investment plant during the period; and (ii) the increase in deferred listing expenses of approximately RMB2.8 million. The payment arrangement of utilities by our Group on behalf of Tangshan Meijin ceased in January 2020 and all such payments due from Tangshan Meijin were fully settled in June 2020. For our other receivables which mainly comprised receivables due from a related party and deposits, there was no significant increase in credit risk since initial recognition as at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group assessed that the expected credit losses for these receivables were not material through using the 12 months expected losses method.

The following table sets out our other receivables between related parties and Independent Third Parties as at the date indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
- Related parties	16,342	34,924	63,444	—
- Independent Third Parties	500	1,321	1,265	3,194
	<u>16,842</u>	<u>36,245</u>	<u>64,709</u>	<u>3,194</u>

As at the Latest Practicable Date, approximately 1.6% of our other receivables from Independent Third Parties as at 30 June 2020 was subsequently settled.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income mainly represent notes receivables and are generated from our sales.

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The following table sets out our notes receivables as at the date indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Notes receivables ⁽¹⁾ :				
- Related parties	86,865	72,602	37,966	54,048
- Independent Third Parties	25,102	34,695	13,351	9,133
	<u>111,967</u>	<u>107,297</u>	<u>51,317</u>	<u>63,181</u>

Note:

- (1) The Group's notes receivables represent the bank acceptance bills issued by banks and were freely transferable and legally and commonly accepted in the PRC under which the banks will guarantee payment to the bearers/holders on the maturity date regardless of circumstances (including default by original customers who initially requested the banks to issue the bank acceptance bills). The issuing banks promise to make payments unconditionally upon maturity, or if no maturity dates apply, on demand. Thus, the issuing banks bear the obligations to pay and associated risks. The bank acceptance bills present no risk of default to the bearers/holders and provide for better liquidity and flexibility in payment settlements of the bearers/holders.

Our notes receivable decreased by approximately RMB4.7 million or 4.2%, from approximately RMB112.0 million as at 31 December 2017 to approximately RMB107.3 million as at 31 December 2018 and further by approximately RMB56.0 million, or 52.2%, to approximately RMB51.3 million as at 31 December 2019, mainly attributable to the utilisation of notes receivables to settle the construction costs for the production plants and equipment in Zhongqi Investment for our new projects. Our notes receivables increased by approximately RMB11.9 million, or 23.1%, to approximately RMB63.2 million as at 30 June 2020, mainly attributable to the settlement of trade receivables by our customers by using bank acceptance bills during the period. During the Track Record Period, all bank acceptance bills received by us had a maturity date within one year. As at 30 September 2020, we utilised approximately RMB331.3 million and RMB20.7 million of our notes receivables to settle our construction costs incurred during the Track Record Period for Zhongqi Investment and TTG Laoting Branch, respectively. According to Frost & Sullivan, it is common in various industries including the construction industry in the PRC that bank acceptance bills are accepted as one of the payment methods. Given that bank acceptance bill is one of the agreed payment methods prescribed in the contracts entered in between the construction suppliers and us and that we have the bank acceptance bills received from our customers in hand, our liquidity will be improved when using the notes receivables instead of cash to settle the construction costs as a way of effective cash flow management. In light of the legality, convenience and security of the bank acceptance bill and its benefits in terms of liquidity, we prefer to endorse the notes receivables without discount to the suppliers to settle the construction costs incurred for the production plants and equipment in our TTG Laoting Branch and Zhongqi Investment for new projects, as long as the payment method is permitted under the construction contracts. Our utilisation of bank acceptance bills to settle the construction costs for the production plants and equipment is in line with the industry norm. During ordinary course of our business, we receive both bank acceptance bills and cash and cash equivalent from our customers (including members of HBIS Group and Independent Third Parties) for

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prepayment or settlement of the amount due under the invoices issued by us for our sales of our products. For the bank acceptance bills being received, they were either (a) issued to the Group or (b) endorsed to the Group and generally had a maturity date of less than one year from the date of issue of such bank acceptance bills, and all the bank acceptance bills we received were issued by reputable banks and are freely transferrable. The construction costs may be settled by a single bank acceptance bill or by a number of bank acceptance bills which carry accumulative amount that is more or less than the invoice amount billed by the construction suppliers. In case that there is difference between the amount of the bank acceptance bills and invoice amount billed by the construction suppliers, the excess amount will be counted towards the constructions costs to be incurred or will be returned; and we will make cash payments or other equivalents for the shortfall. The notes received from our customers and the bank acceptance bills transferred to our suppliers were supported by genuine underlying transactions and were on a no discount basis. Our Directors considered that it was appropriate to use our notes receivables to settle the construction costs incurred for the production plants and equipment in its TTG Laoting Branch and in Zhongqi Investment for new projects. We recognise notes receivables and derecognise corresponding account receivables upon transfer of bank acceptance bills from our customers to us by endorsing the bills and derecognise notes receivables and corresponding construction payables upon transfer of bank acceptance bills by us to our suppliers by endorsing these bills. We analyse whether we have transferred or retained substantially all risks and rewards associated with the bank acceptance bills upon transfer of the bills by endorsement in accordance with the requirements of IFRS 9. Based on their independent review of our bank acceptance bills and corresponding underlying contracts, our PRC Legal Advisers confirm that the notes received from our customers and the bank acceptance bills transferred to our suppliers were supported by underlying contracts, and therefore we were in full compliance with the relevant PRC laws and regulations including but not limited to the Law on Negotiable Instruments of the PRC (中華人民共和國票據法) during the Track Record Period with respect to receiving bank acceptance bills from our customers and the notes receivables being used to settle the construction costs for the production plants and equipment in its TTG Laoting Branch and Zhongqi Investment.

The following table sets out our average trade receivables and notes receivables turnover days between related parties and Independent Third Parties for the periods indicated.

	For the year ended 31 December			For the six month ended 30 June
	2017	2018	2019	2020
Average trade receivables and notes receivables turnover days				
- Related Parties	53	96	96	98
- Independent Third Parties	66	70	82	82
Total	56	89	94	96

Note: Average trade receivables and notes receivables turnover days is equal to the average trade receivables and notes receivables divided by revenue and multiplied by 365 days for a year (or 180 days for the six-month period). Average trade receivables and notes receivables are equal to trade receivables and notes receivables at the beginning of the period plus trade receivables and notes receivables at the end of the period and divided by two.

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Valuation of our financial assets at fair value through other comprehensive income or profit or loss

Our financial assets at fair value through other comprehensive income (notes receivables) and financial assets at fair value through profit or loss (wealth management products) were classified as level 3 financial assets in terms of inputs to valuation techniques used to measure fair value. For more details of fair value measurement, please see Note 5 to the Accountant's Report included in Appendix I to this prospectus.

We have implemented internal policies to ensure the reasonableness of fair value measurement on the level 3 financial assets. In relation to the valuation of notes receivables, our Directors has considered, among others, (i) the terms of bank acceptance bills received; and (ii) the risk-adjusted discount rates of the bank acceptance bills. In relation to the valuation of the wealth management products, our Directors has considered, among others, (i) the terms of the wealth management products in subscription agreements; (ii) the available market information of similar wealth management products; and (iii) the expected rate of return of the wealth management products.

Based on the above considerations, our Directors would review the fair value measurement of level 3 financial assets, take into account the significant unobservable inputs and the applicable valuation techniques, and determine if the fair value measurement of level 3 financial assets is in accordance with the applicable IFRS. Therefore, our Directors are of the view that the valuation of our Group's level 3 financial instruments are fair and reasonable and the financial statements of our Group are properly prepared.

The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period is set out on page I-2 of Appendix I to this prospectus.

In relations to the valuation analysis performed by our Directors, the Sole Sponsor has conducted the following relevant due diligence work:

- discussing with management of our Company regarding the nature and background of the financial assets, including the risk profiles and the reasons for accepting such settlement arrangements or making such investments;
- reviewing the relevant bank acceptance bills in the Accountant's Report as contained in Appendix I to this prospectus and relevant documents provided by our Company; and
- together with our Reporting Accountant, discussing with the Company about the methodology, assumptions and parameters for the valuation of notes receivables and the wealth management products.

Having considered the work done by our Directors and the unqualified opinion on the historical financial information of the Group as a whole issued by the Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company on its level 3 financial instruments.

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Trade and Other Payables

Trade and other payables mainly represent trade payables, payables for construction and equipment, dividend payable and payables for professional service fee.

The following table sets out our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB '000	RMB '000	RMB '000	RMB '000
Trade payables	133,534	279,446	245,822	135,788
Payables for construction and equipment	16,211	95,033	27,388	65,892
Dividend payable	—	14,900	14,900	14,900
Payables for operating service fee	—	—	8,709	10,251
Taxes payable	5,292	334	1,658	5,208
Salaries and bonus payable	2,557	2,996	2,186	2,237
Payables for professional service fee	3,285	6,389	14,636	16,053
Deposits	1,647	1,920	1,628	1,658
Interests payable	523	847	852	948
Others	2,142	2,639	2,366	2,620
	<u>165,191</u>	<u>404,504</u>	<u>320,145</u>	<u>255,555</u>

Our trade and other payables increased by approximately RMB239.3 million, or 144.9%, from approximately RMB165.2 million as at 31 December 2017 to approximately RMB404.5 million as at 31 December 2018, primarily due to (i) the increase in trade payables by approximately RMB145.9 million, mainly resulting from a further increase in production in 2018, which led to the increase in consumption of utilities; (ii) the increase in payables for construction and equipment by approximately RMB78.8 million, mainly resulting from the acquisition of two sets of ASU from a related party, namely Tangshan Plate; (iii) dividend payable recorded in 2018 of approximately RMB14.9 million which is for the dividend for the year ended 31 December 2016; and (iv) the increase in payables for professional service fee by approximately RMB3.1 million mainly in relation to the preparation of the Listing; which was partly offset by the decrease in tax payables by approximately RMB5.0 million. Our trade and other payables decreased by approximately RMB84.4 million, or 20.9%, from approximately RMB404.5 million as at 31 December 2018 to approximately RMB320.1 million as at 31 December 2019, primarily due to (i) the decrease in trade payables by approximately RMB33.6 million, mainly resulting from the settlement of our purchases before the year end; and (ii) the decrease in payables for construction and equipment by approximately RMB67.6 million, mainly resulting from settlements of our construction costs for the production plants and equipment in Zhongqi Investment. The decrease was partly offset by (i) the increase in payables for professional service fee by approximately RMB8.2 million in relation to the preparation of the Listing; and (ii) the increase in payables for operating service fee of approximately RMB8.7 million

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in relation to technical and advisory services provided by HBIS Company and CGII (Shanghai) Investment Management Co., Ltd. Our trade and other payables decreased by approximately RMB64.6 million, or 20.2%, from approximately RMB320.1 million as at 31 December 2019 to approximately RMB255.6 million as at 30 June 2020, primarily due to the decrease in trade payables by approximately RMB110.0 million, mainly resulting from faster settlement of our purchases during the period, which was partly offset by (i) the increase in payables for construction and equipment by approximately RMB38.5 million; (ii) the increase in taxes payable of approximately RMB3.6 million; and (iii) the increase in payables for professional service fee by approximately RMB1.4 million in relation to the preparation of the Listing.

We were typically granted credit terms of up to 30 days by our major suppliers during the Track Record Period.

The following table sets out an aging analysis of our trade payables based on the invoice date as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	97,604	214,697	146,350	111,197
1 to 2 years	35,232	29,424	35,186	22,862
2 to 3 years	149	34,827	28,982	469
Over 3 years	549	498	35,304	1,260
	<u>133,534</u>	<u>279,446</u>	<u>245,822</u>	<u>135,788</u>

The following table sets out our average trade payables turnover days for the years indicated.

	For the year ended 31 December			For the six month ended
	2017	2018	2019	30 June
	2017	2018	2019	2020
Average trade payables turnover days ⁽¹⁾	<u>53</u>	<u>82</u>	<u>94</u>	<u>76</u>

Note:

- (1) Average trade payables turnover days is equal to the average trade payables divided by cost of revenues and multiplied by 365 days for a year (or 180 days for the six-month period). Average trade payables are equal to trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

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Our average trade payables turnover days increased from 53 days in 2017 to 82 days in 2018, primarily due to the increase in trade payables with our related parties for the consumption of utilities. Our average trade payable turnover days further increased to 94 days in 2019, mainly due to the prolonged settlement of our trade payables with our related parties. Our average trade payable turnover days decreased to 76 days for the six months ended 30 June 2020, mainly due to faster settlement to our suppliers during the period.

As at the Latest Practicable Date, approximately RMB73.8 million of trade payables, or 54.3% of the trade payables balance as at 30 June 2020 were subsequently settled.

Non-Current Assets and Liabilities

Our non-current assets primarily consist of right-of-use assets, property, plant and equipment, intangible assets and other assets. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had non-current assets of approximately RMB1,172.9 million, RMB1,304.7 million, RMB1,437.6 million and RMB1,478.8 million, respectively.

Our non-current liabilities primarily consist of borrowings, lease liabilities and deferred income tax liabilities. As at 31 December 2017, 2018 and 2019 and 30 June 2020, we had non-current liabilities of approximately RMB16.5 million, RMB173.9 million, RMB151.1 million and RMB320.1 million, respectively.

Indebtedness

As at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 August 2020, our borrowings were approximately RMB250.0 million, RMB388.0 million, RMB368.0 million, RMB548.0 million and RMB528.0 million, respectively. Our borrowings consist of bank borrowings denominated in RMB. All of our Group's borrowings are unsecured and unguaranteed. The effective interest rate (calculated as interest expenses divided by weighted average balances of corresponding borrowings) of short-term borrowings was 4.79%, 4.76%, 4.57% and 4.52% per annum for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. The effective interest rate of long-term borrowings was 5.23%, 5.23% and 5.20% per annum for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020. Our bank and other borrowings do not carry any material restrictive covenants. For more details about our borrowings, please refer to Note 29 to the Accountant's Report set out in Appendix I to this prospectus. As at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 August 2020, our lease liabilities amounted to approximately RMB6.9 million, RMB6.5 million, RMB15.0 million, RMB15.6 million and RMB15.7 million, respectively.

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Borrowings

The following table sets out a breakdown of our borrowings as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Long-term borrowings due after one year	<u>—</u>	<u>150,000⁽²⁾</u>	<u>110,000⁽⁵⁾</u>	<u>278,000⁽⁸⁾</u>
Current:				
Long-term borrowings due within one year	<u>—</u>	<u>40,000⁽³⁾</u>	<u>60,000⁽⁶⁾</u>	<u>72,000⁽⁹⁾</u>
Short-term borrowings	<u>250,000⁽¹⁾</u>	<u>198,000⁽⁴⁾</u>	<u>198,000⁽⁷⁾</u>	<u>198,000⁽¹⁰⁾</u>
	<u>250,000</u>	<u>238,000</u>	<u>258,000</u>	<u>270,000</u>

Notes:

- (1) The short-term borrowing of RMB250.0 million consisted of (i) bank borrowings in the amount of RMB150.0 million from Zunhua Rural Credit Cooperatives Association; and (ii) bank borrowings in the amount of RMB100.0 million from Bank of Communications.
- (2) The long-term borrowing of RMB150.0 million represented the non-current portion of the bank borrowing in the amount of RMB190.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%.
- (3) The long-term borrowing due within one year of RMB40.0 million represented the current portion of the bank borrowing in the amount of RMB190.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%.
- (4) The short-term borrowing of RMB198.0 million consisted of (i) bank borrowings in the amount of RMB100.0 million from Bank of Communications; and (ii) bank borrowings in the amount of RMB98.0 million from Industrial and Commercial Bank of China.
- (5) The long-term borrowing of RMB110.0 million represented the non-current portion of the bank borrowings in the amount of RMB170.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%.
- (6) The long-term borrowings due within one year of RMB60.0 million represented the current portion of the bank borrowings in the amount of RMB170.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%.

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- (7) The short-term borrowings of RMB198.0 million consisted of (i) bank borrowings in the amount of RMB100.0 million from Bank of Communications; and (ii) bank borrowings in the amount of RMB98.0 million from Industrial and Commercial Bank of China.
- (8) The long-term borrowings of RMB278.0 million consisted of (i) the non-current position of the bank borrowings in the amount of RMB90.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%; (ii) the non-current position of the bank borrowings in the amount of RMB98.0 million from Bank of Cangzhou with an annual interest rate of 5.13%; and (iii) the non-current position of the bank borrowings in the amount of RMB90.0 million from Bank of Cangzhou with an annual interest rate of 5.13%.
- (9) the long-term borrowings due within one year of RMB72.0 million consisted of (i) the current portion of the bank borrowings in the amount of RMB60.0 million from Zunhua Rural Credit Cooperatives Association with an annual interest rate of 5.23%; (ii) the current portion of the bank borrowings in the amount of RMB2.0 million from Bank of Cangzhou with an annual interest rate of 5.13%; and (iii) the current portion of the bank borrowings in the amount of RMB10.0 million from Bank of Cangzhou with an annual interest rate of 5.13%.
- (10) The short-term borrowings of RMB198.0 million consists of (i) bank borrowings in the amount of RMB100.0 million from Bank of Communications; and (ii) bank borrowings in the amount of RMB98.0 million from Industrial and Commercial Bank of China.

As at 31 August 2020, being the latest practicable date for the purposes of our indebtedness statement, we had obtained banking facilities in an amount of approximately RMB1,098.0 million, of which approximately RMB560.0 million designated for the development of the Zhongqi Investment plant and approximately RMB10.0 million for general working capital were unutilised. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material difficulty in obtaining bank loans and other borrowings or receiving other financing for the purposes of our business operations, nor did we have material defaults in repayment of bank and other borrowing or payments of trade and non-trade payables.

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Lease Liabilities

During the Track Record Period, we had leased a few properties for our operational needs. Our Directors consider that the adoption of IFRS 16 did not have a significant impact on our financial position and performance.

The table below sets out a breakdown of our lease liabilities as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments due				
— Within 1 year	1,748	1,611	8,255	8,255
— Between 1 and 2 years	832	1,092	4,292	4,292
— Between 2 and 5 years	2,496	2,496	2,496	2,496
— Over 5 years	3,496	2,663	1,831	1,665
	<u>8,572</u>	<u>7,862</u>	<u>16,874</u>	<u>16,708</u>
Less: future finance charges	<u>(1,628)</u>	<u>(1,346)</u>	<u>(1,869)</u>	<u>(1,151)</u>
Present value of lease liabilities	<u>6,944</u>	<u>6,516</u>	<u>15,005</u>	<u>15,557</u>
— Within 1 year	1,410	1,294	7,408	7,805
— Between 1 and 2 years	560	838	3,833	4,064
— Between 2 and 5 years	1,862	1,955	2,053	2,104
— Over 5 years	3,112	2,429	1,711	1,584
	<u>6,944</u>	<u>6,516</u>	<u>15,005</u>	<u>15,557</u>

As at 31 August 2020, we had current lease liabilities and non-current lease liabilities in the amount of approximately RMB8.1 million and RMB7.6 million, respectively.

Indebtedness Statement and Confirmation

Except as disclosed in this prospectus or any intra-group liabilities, we did not have any outstanding or authorised to be issued but unissued debt securities, term loans, other borrowings or indebtedness in nature of borrowing, acceptance credits, mortgages and charges, contingent liabilities or guarantees. Save as disclosed above, our Directors confirm that there had been no material adverse change in our indebtedness since 31 August 2020 and up to the date of this prospectus.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions with members of the HBIS Group related to (i) purchases of products, property, plant and equipment; (ii) sales of products; (iii) provision of gas transmission and other services; (iv) receipt of services; (v) payment of utilities on behalf of Tangshan Meijin, which ceased in January 2020; (vi) right-of-use assets acquired from related parties; and (vii) interest expenses on lease liabilities due to related parties. For more information, please refer to the section headed “Continuing Connected Transaction” in this prospectus. Among these related party transactions, purchases of products, sales of products, purchases of utilities and provision of gas transmission service were of trade nature.

During the Track Record Period, there was also a Shareholder’s Loan from CGI and payment by CGI on behalf of our Company in relation to remuneration of our management which shall cease prior to Listing. For details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation”, the paragraphs headed “— Discussion of certain items of consolidated balance sheets — Current assets and liabilities — Indebtedness” in this section of this prospectus.

In respect of the related-party transactions and balances set out Note 36 to the financial statements included in the Accountant’s Report in Appendix I to this prospectus, our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms and/or on an arm’s-length basis, and that their terms were fair, reasonable and in the interest of our Shareholders as a whole.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from operating cash flows, capital contribution from shareholders and borrowings. We require cash for our working capital demand, such as the consumption of utilities and capital expenditures related to the expansion of production facilities including but not limited to the development of the Zhongqi Investment plant and the purchases of property, plant and equipment. Our primary use of funds has been working capital, capital expenditures, and repayment of bank and other borrowings. Any significant decrease in demand for, or pricing of, our products or a significant decrease in the availability of bank loans and other borrowings may adversely impact our liquidity. We do not foresee any deterioration of the credit markets or tightened monetary policies in the PRC, which may result in an adverse impact on the banking facilities available to us. In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities, banking facilities made available to us and the proceeds from the Global Offering. As at 31 August 2020, being the latest practicable date for the purposes of our indebtedness statement, we had obtained banking facilities in an amount of approximately RMB1,098.0 million, of which approximately RMB560.0 million designated for the development of Zhongqi Investment plant and approximately RMB10.0 million for general working capital were unutilised. As such, after taking into account our planned investments in the Zhongqi Investment plant and the dividend paid upon Listing, our Directors are satisfied that we remain able to maintain our liquidity for our daily operations.

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Cash Flows

We had cash and cash equivalents of approximately RMB121.4 million, RMB206.8 million, RMB139.8 million and RMB359.0 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The following table sets out our cash flows for the periods indicated.

	For the year ended 31 December			For the six months ended	
				30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from operating activities	66,076	263,486	205,860	123,749	103,315
Net cash used in investing activities	(33,222)	(233,481)	(316,487)	(239,197)	(61,945)
Net cash generated from financing activities	48,904	55,242	42,539	66,226	177,083
Net increase/(decrease) in cash and cash equivalents	81,758	85,247	(68,088)	(49,222)	218,453
Effect of exchange rate changes	(25)	171	1,057	—	760
Cash and cash equivalents at the beginning of the year/period	39,670	121,403	206,821	206,821	139,790
Cash and cash equivalents at the end of the year/period	121,403	206,821	139,790	157,599	359,003

Net Cash generated from Operating Activities

Net cash generated from operating activities primarily comprises our profit before income tax for the year adjusted by interest paid, income tax paid, non-cash and non-operating items, such as depreciation and amortisation and investment income of bank wealth management products, and adjusted by changes in working capital, such as trade and other receivables and trade and other payables.

For the six months ended 30 June 2020, net cash generated from operating activities was approximately RMB103.3 million, which was mainly attributable to (i) the profit before tax of approximately RMB85.7 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB61.4 million; and (iii) an outflow of approximately RMB10.2 million for changes in working capital. Our general working capital changes mainly included (i) a decrease in trade and other payables of approximately RMB94.3 million, mainly resulting from faster settlement of our trade payables during the period; and (ii) an increase in financial assets at fair value through other comprehensive income of approximately RMB11.9 million resulting from the settlement of trade receivables of our customers by using bank acceptance bills

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during the period, which was partly offset by a decrease in prepayments, deposits and other receivables of approximately RMB56.1 million, mainly due to the settlement of receivables due from Tangshan Meijin during the period; and the decrease in trade receivables of approximately RMB37.7 million, resulting from the settlement of our customers before the period end.

For the year ended 31 December 2019, net cash generated from operating activities was approximately RMB205.9 million, which was mainly attributable to (i) the profit before tax of approximately RMB172.0 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB118.9 million; and (iii) an outflow of approximately RMB42.2 million for changes in working capital. Our general working capital changes mainly included (i) the increase in prepayments, deposits and other receivables of approximately RMB54.7 million mainly resulting from the increase in VAT recoverable regarding the construction of production site of Zhongqi Investment plant during the year and the increase in receivables due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year; and (ii) the increase in trade receivables of approximately RMB46.0 million mainly resulting from the increase in our supply of pipeline industrial gas during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system, which was partly offset by (i) the decrease in financial assets at fair value through other comprehensive income of approximately RMB56.0 million mainly resulting from the utilisation of notes receivables to settle the construction costs for the production plants and equipment for Zhongqi Investment plant; and (ii) the increase in trade and other payables of approximately RMB10.1 million mainly resulting from the increase in payables for professional service fee.

For the year ended 31 December 2018, net cash generated from operating activities was approximately RMB263.5 million, which was attributable to (i) the profit before tax of approximately RMB152.4 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB102.8 million; and (iii) an inflow of approximately RMB45.6 million for changes in working capital. Our general working capital changes mainly included the increase in trade and other payables of approximately RMB189.5 million mainly resulting from the increase in our production in 2018, which led to the increase in our trade payables in relation to consumption of utilities and was partly offset by (i) the increase in trade receivables of approximately RMB127.8 million mainly resulting from the increase in our supply of industrial gas for the year; and (ii) the increase in prepayments, deposits and other receivables of approximately RMB20.9 million mainly resulting from the increase in receivable due from Tangshan Meijin regarding the payment of utilities on behalf of Tangshan Meijin during the year.

For the year ended 31 December 2017, net cash generated from operating activities was approximately RMB66.1 million, which was attributable to (i) the profit before tax of approximately RMB110.8 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB102.2 million; and (iii) an outflow of approximately RMB117.9 million for changes in working capital. Our general working capital changes mainly included (i) the increase in trade receivables of approximately RMB39.1 million mainly resulting from our business growth during the year and the prolonged payment process of our major customer resulted from the gradual implementation of its new account system; and (ii) the increase in financial

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assets at fair value through other comprehensive income of approximately RMB82.0 million mainly resulting from the increase in our notes receivables received from the members of HBIS Group in relation to the sales generated from them, and was partly offset by the decrease in prepayments, deposits and other receivables of approximately RMB9.9 million.

Net Cash used in Investing Activities

For the six months ended 30 June 2020, net cash used in investing activities was approximately RMB61.9 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets for our development of the Zhongqi Investment plant.

For the year ended 31 December 2019, net cash used in investing activities was approximately RMB316.5 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets of approximately RMB321.4 million mainly for our development of the Zhongqi Investment plant and the purchase of bank wealth management products of RMB25.0 million, which was partly offset by cash received on the maturity of bank wealth management products of RMB29.5 million.

For the year ended 31 December 2018, net cash used in investing activities was approximately RMB233.5 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets of RMB231.7 million mainly for our development of the Zhongqi Investment plant and purchase of bank wealth management products of approximately RMB771.8 million, which was partly offset by cash received on the maturity of bank wealth management products of the purchase of RMB767.3 million. The principal amount for each investment being made ranged from approximately RMB0.1 million to approximately RMB50.0 million, with short-term maturity (ranged between 7 days and 180 days). Netting off by the cash inflow from cash received on maturity of bank wealth management products in the amount of approximately RMB767.3 million, the net cash outflow was approximately RMB4.5 million in 2018. Meanwhile, we received interest income in an amount of approximately RMB2.0 million generated from the products in the same year.

For the year ended 31 December 2017, net cash used in investing activities was approximately RMB33.2 million, which was mainly attributable to payment for the purchase of property, plant and equipment and other long-term assets of approximately RMB33.5 million mainly for our development of TTG Laoting Branch, and purchase of bank wealth management products of RMB140.0 million, which was partly offset by cash received on maturity of bank wealth management products of RMB140.0 million.

Net Cash generated from Financing Activities

For the six months ended 30 June 2020, net cash generated from financing activities was approximately RMB177.1 million, which was mainly attributable to proceeds from borrowings of approximately RMB240.0 million and was partly offset by repayments of borrowings of approximately RMB60.0 million and payment of listing expenses of approximately RMB2.8 million.

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For the year ended 31 December 2019, net cash generated from financing activities was approximately RMB42.5 million, which was mainly attributable to proceeds from borrowings of approximately RMB264.3 million partly offset by (i) repayments of borrowings of RMB218.0 million; and (ii) payment of listing expenses of approximately RMB3.7 million.

For the year ended 31 December 2018, net cash generated from financing activities was approximately RMB55.2 million, which was mainly attributable to proceeds from borrowings of RMB438.0 million and was partly offset by (i) repayments of borrowings of RMB300.0 million; (ii) repayment of contributions from shareholders of approximately RMB66.7 million; and (iii) dividend paid to our Company's Shareholders of approximately RMB14.9 million.

For the year ended 31 December 2017, net cash generated from financing activities was approximately RMB48.9 million, which was mainly attributable to proceeds from borrowings of RMB340.0 million and was partly offset by repayments of borrowings of RMB290.0 million.

CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included expenditure for the purchases of property, plant and equipment, right-of-use assets and intangible assets such as ASUs and liquefiers. We funded our capital expenditure requirements and long-term investments during the Track Record Period mainly from cash flow generated from our operations, capital contributions from our Shareholders and bank borrowings. Our capital expenditures amounted to approximately RMB23.8 million, RMB171.2 million, RMB316.0 million and RMB66.9 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Our capital expenditure for the year ending 31 December 2020 is expected to amount to approximately RMB386.3 million, which will be primarily used for the development of the Zhongqi Investment plant. For further information, please refer to the section headed "Business — Our business — Production plants in operation — Production plant under development" in this prospectus. We plan to fund our future capital expenditures using the net proceeds received from the Global Offering and internal resources which include but not limited to our cash and cash equivalents and bank loans. We may reallocate the fund to be utilised on capital expenditure and future development based on our ongoing business needs.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments were mainly relevant to the capital expenditure required for the purchase of property, plant and equipment. The following table sets out our capital expenditures contracted but not yet incurred as at the dates indicated.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Payment for property, plant and equipment	<u>25,733</u>	<u>277,940</u>	<u>223,234</u>	<u>140,793</u>

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CONTINGENT LIABILITIES

Our Directors confirm that there had not been any litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition and results of operations as at 30 June 2020 and up to the Latest Practicable Date. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We confirm that our Group had no contingent liability since 30 June 2020 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at the dates and for the years indicated.

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2017	2018	2019	2020
Current ratio ⁽¹⁾	0.9	1.0	1.0	1.4
Quick ratio ⁽²⁾	0.9	0.9	1.0	1.4
Return on total assets ⁽³⁾	5.1%	6.2%	6.5%	N/A ⁽⁸⁾
Return on equity ⁽⁴⁾	7.1%	10.9%	10.3%	N/A ⁽⁸⁾
Gearing ratio ⁽⁵⁾	22.9%	35.8%	29.4%	41.1%
Net debt to equity ratio ⁽⁶⁾	12.1%	17.0%	18.7%	14.9%
Net profit margin ⁽⁷⁾	7.8%	10.5%	10.3%	10.8%

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year/period.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of the year/period.
- (3) Return on total assets is calculated by dividing profit for the year by the total assets at the end of the year.
- (4) Return on equity is calculated by dividing profit attributable to owners of our Company for the year by the total equity attributable to owners of our Company at the end of the year.
- (5) Gearing ratio is calculated by dividing total debt (borrowings and lease liabilities) by total equity as at the end of the relevant year/period.
- (6) Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the year/period. Net debt is calculated as total debt (borrowings and lease liabilities) less cash and cash equivalents as at the end of the year/period.

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(7) Net profit margin is equal to net profit divided by total revenue for the year/period.

(8) The six-month figure is not meaningful as it is not comparable to an annual figure.

Current Ratio

Our current ratio was approximately 0.9, 1.0, 1.0 and 1.4 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The ratio as at 31 December 2017, 2018 and 2019 was relatively stable. The ratio increased to 1.4 as at 30 June 2020 was primarily due to the increase in cash and cash equivalents of approximately RMB219.2 million mainly resulting from the increase in our non-current borrowing from banks during the period.

Quick Ratio

Our quick ratio was approximately 0.9, 0.9, 1.0 and 1.4 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The ratio as at 31 December 2017, 2018 and 2019 was relatively stable. The ratio increased to 1.4 as at 30 June 2020 was primarily due to the increase in cash and cash equivalents of approximately RMB219.2 million mainly resulting from the increase in our non-current borrowing from banks during the period.

Return on Total Assets

Our return on total assets was approximately 5.1%, 6.2% and 6.5% for the year ended 31 December 2017, 2018 and 2019, respectively. The increase in return on total assets of our Group from 2017 to 2019 was mainly attributable to the increase in profit for the year during the same years.

Return on Equity

Our return on equity was approximately 7.1%, 10.9% and 10.3% for the year ended 31 December 2017, 2018 and 2019, respectively. The increase from 2017 to 2018 was primarily due to the increase in profit for the years. The return on equity remained stable for the year ended 31 December 2018 and 2019.

Gearing Ratio

Our gearing ratio was approximately 22.9%, 35.8%, 29.4% and 41.1% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The increase from 2017 to 2018 was primarily due to the continuous increase in borrowing over the years where our borrowing increased from RMB250.0 million as at 31 December 2017 to RMB388.0 million as at 31 December 2018. The gearing ratio decreased to 29.4% as at 31 December 2019, mainly due to the decrease in borrowing of approximately RMB20.0 million as at 31 December 2019. The gearing ratio increased to 41.1% as at 30 June 2020, mainly due to the further increase in bank borrowings to approximately RMB548.0 million as at 30 June 2020.

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Net debt to equity ratio

Our net debt to equity ratio was approximately 12.1%, 17.0%, 18.7% and 14.9% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The ratio increased in 31 December 2018 mainly attributable to the increase in borrowing from RMB250.0 million as at 31 December 2017 to RMB388.0 million as at 31 December 2018. The ratio further increased to approximately 18.7% was mainly due to the decrease in cash and cash equivalent from approximately RMB206.8 million as at 31 December 2018 to approximately RMB139.8 million as at 31 December 2019. The ratio decreased to approximately 14.9% was mainly due to the increase in cash and cash equivalent from approximately RMB139.8 million as at 31 December 2019 to approximately RMB359.0 million as at 30 June 2020.

Net Profit Margin

Our net profit margin was approximately 7.8%, 10.5%, 10.3% and 10.8% for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively. The fluctuations were primarily attributable to the reasons discussed above.

WORKING CAPITAL CONFIRMATION

Our future cash requirements will depend on many factors, including our operating income, market acceptance of our products and service or other changing business conditions and future developments, including any potential investments or acquisitions we may decide to pursue. Industrial gas is an important raw material for our downstream industries, especially the iron and steel industry. Therefore, we believe that our operating income generated from our business operations will remain stable. Accordingly, we anticipate that net cash generated from operating activities will remain stable going forward.

Our Directors confirm that, taking into account of our current cash and cash equivalents, anticipated cash flow from operations, proceeds from the Global Offering and banking facilities available to us, we will have available sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

After due consideration and discussion with our management and based on the above, the Sole Sponsor has no reason to believe that we cannot meet the working capital requirements for the 12 month period from the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2020, we have not entered into any off-balance sheet arrangements.

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QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

During our normal course of business, we are exposed to various financial risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk. For details, please refer to note 3 to the Accountant's Report set out in Appendix I to this prospectus.

DIVIDEND AND DIVIDEND POLICY

On 3 August 2016, our Company declared a dividend and recorded a dividend payable of approximately RMB60.1 million to our Shareholders which was paid in cash by end of December 2016. On 8 August 2018, our Company declared a dividend for the year ended 31 December 2016 and recorded a dividend payable of approximately RMB29.8 million to our Shareholders, of which approximately RMB14.9 million was paid in cash in September 2018 and the remaining of RMB14.9 million will be settled before Listing. We declared a total dividend of approximately RMB267.7 million on 20 October 2020 which will be paid upon Listing and funded by cash and cash equivalent of approximately RMB299.5 million as at 31 August 2020. The unaudited pro forma net tangible assets per Share would substantially decrease had the dividend of approximately RMB267.7 million declared on 20 October 2020 and paid upon Listing been taken into account. For more information, please refer to the paragraph headed “— Unaudited pro forma statement of adjusted net tangible assets” in this section and “Appendix II — Unaudited pro forma financial information” to this prospectus.

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise, to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

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The amount of future dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board of Directors has the absolute discretion to recommend any dividend. Subject to, among others, the factors described above, our Board of Directors currently intend to recommend dividends of no less than 40% of our net profit available for distribution to our Shareholders in the foreseeable future.

DISTRIBUTABLE RESERVES

As at 30 June 2020, we had distributable reserves of approximately RMB375.1 million.

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$1.57, the total estimated listing related expenses payable by us in relation to the Global Offering is approximately RMB64.3 million (or approximately RMB49.8 million after excluding underwriting commission of approximately RMB14.5 million), representing approximately 15.5% of the gross proceeds from the Global Offering, assuming no exercise of the Over-allotment Option. For the year ended 31 December 2018 and the year ended 31 December 2019 and the six months ended 30 June 2020, we incurred listing expenses of approximately RMB2.8 million, RMB25.5 million and RMB13.0 million, respectively, out of which approximately RMB2.1 million, RMB19.9 million and RMB10.2 million were expensed for the respective year and approximately RMB0.7 million, RMB5.6 million and RMB2.8 million were recorded as deferred listing expenses for the respective period and will be capitalised upon completion of the Global Offering. We expect to further incur approximately RMB23.0 million of listing expenses after 30 June 2020 and upon completion of the Global Offering, of which approximately RMB6.9 million is expected to be expensed and the remaining RMB16.1 million is directly attributable to our issue of the Offer Shares and will be capitalised. These listing expenses mainly comprise professional fees paid and payable to the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, legal advisers and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as at 30 June 2020 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our consolidated net tangible assets had the Global Offering been completed as at 30 June 2020 or at any future dates. It is prepared based on our consolidated net assets as at 30 June 2020 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. Our unaudited pro forma adjusted net tangible assets do not form part of the Accountant's Report in Appendix I to this prospectus.

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 30 June 2020 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3 & 6)</i>	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.77 per Share	1,368,644	433,390	1,802,034	1.50	1.71
Based on an Offer Price of HK\$1.37 per Share	1,368,644	331,486	1,700,130	1.42	1.61

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of the Company as at 30 June 2020 of RMB1,369,831,571 with adjustments for the intangible assets as at 30 June 2020 of RMB1,188,207.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.77 and HK\$1.37 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB32,244,696 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the general mandates granted to the Directors to issue or repurchase Shares.

FINANCIAL INFORMATION

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue have been completed on 30 June 2020 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the general mandates granted to the Directors to issue or repurchase Shares.
- (4) The unaudited pro forma adjusted net tangible assets does not take into account the dividend of RMB267.7 million the Company declared on 20 October 2020. Had such dividend been taken into account, the unaudited pro forma adjusted tangible assets per ordinary share would be RMB1.28 (equivalent to HK\$1.45) assuming an Offer Price of HK\$1.77 per share, and RMB1.19 (equivalent to HK\$1.36) assuming an Offer Price of HK\$1.37 per share.
- (5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2020.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8800.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 June 2020, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus, and there is no event since 30 June 2020 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We strive to further solidify our position as the leading industrial gas supplier in the Jing-Jin-Ji Region and intend to achieve this through our business strategies. For a detailed description of our future plans, please refer to the section headed “Business — Our business strategies” in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$397.9 million (assuming an Offer Price of HK\$1.57 per Share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB350.2 million), after deducting the underwriting fees and commissions and estimated expenses paid and payable by us in relation to the Global Offering excluding any discretionary bonus, and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately HK\$364.5 million (equivalent to approximately RMB320.8 million), representing approximately 91.6% of the net proceeds from the Global Offering, will be used for procurement and relocation of ASUs relating to our development at the Zhongqi Investment plant. Apart from the funding from net proceeds from the Global Offering, we estimate that an additional amount of approximately RMB177.2 million will be required to fund such procurement and relocation. For more details, please refer to the section headed “Business — Our business — Our production facilities — Production plant under development” in this prospectus. We expect that the net proceeds allocated to this purpose will be fully utilised by the first half of 2022.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets out certain details regarding estimated additional capital expenditure and source of funding in terms of procurement and relocation of the ASUs in relation to the Zhongqi Investment Plant.

	Estimated additional capital expenditure for the year ending 31 December			Source of funding	
				Proceeds from the	Other
				Global	resources ⁽¹⁾
	2020	2021	2022	Offering	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Phase I					
First ASU: payment for the remaining procurement and installation cost	64,990	—	—	64,990	—
Second ASU: payment for the remaining procurement and installation cost and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant	101,790	—	—	101,790	—
Third ASU: relocation and installation of a used ASU from our TTG headquarters plant	46,000	35,170	—	80,170	1,000
Phase II					
Fourth ASU: procurement and installation of a new ASU	—	—	250,030	73,826	176,204
Total	<u>212,780</u>	<u>35,170</u>	<u>250,030</u>	<u>320,776</u>	<u>177,204</u>

Note:

(1) Other resources include internal resources and bank borrowings.

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$33.4 million (equivalent to approximately RMB29.4 million), representing approximately 8.4% of the net proceeds from the Global Offering, will be used as working capital and other general corporate purposes.

If the Offer Price is fixed at HK\$1.77 per Share, being the high-end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be increased by approximately HK\$57.9 million. If the Offer Price is fixed at HK\$1.37 per Share, being the low-end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be reduced by approximately HK\$57.9 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis accordingly.

The additional net proceeds that we would receive if the Over-allotment Option is exercised in full would be (i) HK\$76.9 million (assuming an Offer Price of HK\$1.77 per Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK\$68.2 million (assuming an Offer Price of HK\$1.57 per Share, being the mid-point of the Offer Price range stated in this prospectus), and (iii) HK\$59.5 million (assuming an Offer Price of HK\$1.37 per Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with banks in Hong Kong or the PRC.

We do not expect that our use of proceeds will change due to the impact of COVID-19. If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

China Everbright Securities (HK) Limited
AMTD Global Markets Limited
Zhongtai International Securities Limited
ABCI Securities Company Limited
BOCI Asia Limited
CCB International Capital Limited
China Industrial Securities International Capital Limited
China Securities (International) Corporate Finance Company Limited
CMBC Securities Company Limited
Haitong International Securities Company Limited
Soochow Securities International Brokerage Limited
Sunfund Securities Limited
Futu Securities International (Hong Kong) Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

China Everbright Securities (HK) Limited
AMTD Global Markets Limited
Zhongtai International Securities Limited
ABCI Securities Company Limited
BOCI Asia Limited
CCB International Capital Limited
China Industrial Securities International Capital Limited
China Securities (International) Corporate Finance Company Limited
CMBC Securities Company Limited
Haitong International Securities Company Limited
Soochow Securities International Brokerage Limited
Sunfund Securities Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Tuesday, 27 October 2020. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to (among other things) the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (in writing) from the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) to our Company if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, circumstance, or series of events, in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**” and each a “**Relevant Jurisdiction**”), in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, strike, lock-out, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

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- (ii) any change or development involving a prospective change, or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdiction in a material way; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority, New York (imposed at Federal or New York State level or other competent Authority), London, the PRC or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new laws or regulation or any change or development involving a prospective change in existing laws or any event or circumstance resulting in a material change or development involving a material prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any Relevant Jurisdiction; or
- (vi) the imposition of economic sanctions on any member of our Group or any of the executive Directors and/or the Controlling Shareholders, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar, Japanese Yen or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or
- (viii) any litigation, legal action, claim or legal proceeding of any third party of a material nature being threatened or instigated against any member of our Group; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from acting as a Director; or
- (x) any of the executive Directors vacating his or her office; or

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- (xi) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or
- (xii) an Authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director in his or her capacity as such; or
- (xiii) save as disclosed in this prospectus and the Application Forms, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) any material adverse change or development involving a reasonably likely material adverse change on our Group, or a significant materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xvi) material non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xvii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xviii) any event, act or omission which gives or is reasonably likely to give rise to any liability of a material nature of any of the indemnifying parties pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or
- (xix) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

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which, individually or in the aggregate, in the sole opinion of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) acting reasonably:

- (1) has or will or could be reasonably expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
 - (2) has or will have or could be reasonably expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (3) makes or will make or could be reasonably expected to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
 - (4) has or will have or could be reasonably expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Representative:
- (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements or other documents issued by or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in any material respect when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms, and/or in any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of any member of our Group when taken as a whole; or

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- (iv) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties given under the Hong Kong Underwriting Agreement (other than any such breach thereof by the Sole Sponsor or the Hong Kong Underwriters); or
- (v) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vi) our Company withdraws this prospectus (and/or any other offering document issued or used in connection with the Global Offering) or the Global Offering; or
- (vii) any expert named in the section headed “Statutory and General Information — F. Other information — 8. Qualification of experts” in Appendix IV to this prospectus has withdrawn its consent to being named in this prospectus or to the issue of this prospectus; or
- (viii) that, as a result of material adverse and abrupt change in market conditions or otherwise, any material order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or cancelled, and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters), in reasonable discretion after due consideration, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this paragraph (viii) is exercisable only from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date) except for:

- (a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (b) any capitalisation issue, capital reduction or consolidation or sub-division of Shares; and
- (c) the issue of shares or securities pursuant to an agreement entered into before the Listing Date, the material terms of which have been disclosed in this prospectus in connection with the Global Offering.

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Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the Stock Borrowing Agreement, he or it will not, and shall procure that the relevant registered holder(s) of the Shares, any associates or companies controlled by him or it, any nominees or trustees holding the Shares in trust for him or it (as the case may be), will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of our Shares or securities owned by him or it or the relevant registered holder(s), nominee or trustee (including any interest in any Shares controlled by him or it which is, directly or indirectly, the beneficial owner of any of such Shares or securities of our Company (the “**Parent Shares**”); or
- (b) in the period of a further six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan), any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it (individually) or the Controlling Shareholders (collectively) would cease to be our Controlling Shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, it or he will:

- (a) when it or he pledges or charges any of our securities beneficially owned by it or him in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it or he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

As at the date hereof, Mr. Chen has pledged all his shares in OxyChina and OxyChina has pledged all its shares in CGI, pursuant to the respective share charges dated 25 July 2011 in favour of Eastern Sky Limited (as security agent acting on behalf of Huang He) as security to loans provided by Huang He in March 2011 to each of CGI and OxyChina, respectively (the “**Share Charges**”). On 21 October 2020, each of Huang He and Eastern Sky Limited irrevocably and unconditionally undertook to our Company and the Stock Exchange that, save as permitted under the Listing Rules or the Stock Exchange, each of them shall not enforce any part of their respective powers, privileges or

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rights (either beneficial or legal) under the Share Charges (i) from the date thereof until the Listing Date, if such enforcement shall result in the Company's failure to comply with Rule 8.05 (1)(c) of the Listing Rules in respect of the ownership continuity and control; and (ii) subject to the Listing, if such enforcement shall result in Mr. Chen and/or OxyChina's breach of any of their respective Controlling Shareholders' lock-up undertakings pursuant to Rule 10.07 undertakings given to the Company and the Stock Exchange. For details, please refer to the section headed "History, Reorganisation and Corporate Structure — Overview" in this prospectus.

We will inform the Stock Exchange as soon as we are informed of the occurrence of any of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, and Mr. Chen has undertaken to procure that, except for the issue, offer and sale of the Offer Shares pursuant to the Capitalisation Issue and the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Half-Year Period**"), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable) or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or such other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the “**Second Half-Year Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Mr. Chen has undertaken to each of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the undertakings set out above.

Undertakings by Mr. Chen

Pursuant to the Hong Kong Underwriting Agreement, Mr. Chen has also undertaken to each of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save and except for the Share Charges, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and/or pursuant to the Stock Borrowing Agreement:

- (a) at any time during the First Half-Year Period, he will use his best endeavours to procure that CGI and OxyChina will not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for

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or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the “**Relevant Shares**”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “**Holding Entity**”) or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares or an interest in any Holding Entity; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or such other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) at any time during the Second Half-Year Period, he will use his best endeavours to ensure that CGI and OxyChina will not enter into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he will cease to be a Controlling Shareholder of our Company; and
- (c) until the expiry of the Second Half-Year period, in the event that CGI and/or OxyChina enters into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he will use his best endeavours to ensure that CGI and OxyChina will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

Our Company and Mr. Chen have agreed to indemnify, among others, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or Mr. Chen of the Hong Kong Underwriting Agreement.

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The International Offering

In connection with the International Offering, it is expected that our Company and Mr. Chen will enter into the International Underwriting Agreement with the Sole Sponsor, the Sole Representative and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers to purchase such International Offer Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Representative on behalf of the International Underwriters, to require us to offer up to an aggregate of 45,000,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Under the International Underwriting Agreement, our Company and Mr. Chen will agree to indemnify the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

Underwriting commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of up to 3.0% of the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In respect of the International Offering, we expect to pay an underwriting commission of up to 3.0% of the aggregate Offer Price payable in respect of all International Offer Shares (including any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). The total amount and respective entitlements of the Underwriters to the underwriting commission will be determined by the Company in its sole and absolute discretion. The Company shall have its sole and absolute discretion to determine the allocation of such underwriting commission. In addition, the Company may also in its sole and absolute discretion pay to any of the Underwriters an incentive fee of up to 1.5% of the aggregate Offer Price payable in respect of all of the Offer Shares.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.57 per Share (being the mid-point of the indicative Offer Price range), the total listing expenses (based on the mid-point of the Offer Price range stated in this prospectus) are estimated to be HK\$73.1 million.

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Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

China Everbright Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares). Whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China or the United States.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. China Everbright Capital Limited is the Sole Sponsor. China Everbright Securities (HK) Limited is the Sole Representative and one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of 30,000,000 Offer Shares (subject to adjustment or reallocation as mentioned below) in Hong Kong as described in “Hong Kong Public Offering” in this section below; and
- (ii) the International Offering of 270,000,000 Offer Shares (subject to adjustment or reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to adjustment and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraphs headed “— Over-allotment Option and Stabilisation” in this section of the prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Representative (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering, the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 27 November 2020, which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 2 November 2020 and in any event, not later than Wednesday, 4 November 2020.

If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and our Company by Wednesday, 4 November 2020, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, 9 November 2020 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 10 November 2020 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 30,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised). Subject to the adjustment or reallocation of Shares between the International Offering and the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" in this section of the prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 15,000,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange’s Guidance Letter HKEX-GL91-18 requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- (a) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Representative may reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offering to the International Offering, in such proportion as the Sole Representative deems appropriate in its sole discretion, after consultation with our Company;
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the initial number of the Hong Kong Offer Shares, then up to 30,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 60,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- (iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then 60,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 90,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option);
 - (iv) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then 90,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 120,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option); and
 - (v) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then 120,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 150,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option).
- (b) In the event that the International Offer Shares are undersubscribed under the International Offering:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the initial number of the Hong Kong Offer Shares, then up to 30,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 60,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances where (aa) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (bb) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the

STRUCTURE OF THE GLOBAL OFFERING

final Offer Price shall be fixed at HK\$1.37 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus and the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall not be more than double of the number of Offer Shares initially allocated to the Hong Kong Public Offering (i.e. 60,000,000 Offer Shares).

In the event of a reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate. In addition, the Sole Representative may, in its sole discretion, after consultation with our Company, reallocate International Offer Shares as they deem appropriate from the International Offering to the Hong Kong Public Offering to satisfy in whole or in part excess valid applications under the Hong Kong Public Offering. The above clawback mechanism complies with paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEX-GL91-18.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Representative may, in its sole discretion, after consultation with our Company, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Sole Representative deems appropriate.

Applications

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.77 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$3,575.68 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraphs headed “— Price determination of the Global Offering” in this section of this prospectus below, is less than the maximum price of HK\$1.77 per Offer Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 270,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The International Offering is subject to the same conditions as stated in “— Conditions of the Global Offering” in this section.

Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the paragraphs headed “— Price determination of the Global Offering” in this section of this prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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OVER-ALLOTMENT OPTION AND STABILISATION

In connection with the Global Offering and pursuant to the International Underwriting Agreement, our Company is expected to grant an Over-allotment Option to the Sole Representative (for itself and on behalf of the International Underwriters) exercisable at the sole discretion of the Sole Representative (for itself and on behalf of the International Underwriters).

The Over-allotment Option is only exercisable if the size of the Global Offering is at least HK\$100 million.

Pursuant to the Over-allotment Option, the Sole Representative has the right, exercisable at any time from the date of the International Underwriting Agreement until Wednesday, 2 December 2020, which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 45,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Offering to cover over-allocation in the International Offering, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Representative (or any person acting for them) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with CGI, one of our Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from CGI on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Offering;
- (b) the maximum number of Shares borrowed from CGI will be limited to 45,000,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from CGI must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earlier of: (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between CGI and the Stabilising Manager;

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- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to CGI by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set out in Rule 10.07(3) of the Listing Rules. No payment will be made to CGI by the Stabilising Manager or its agent in relation to such stock.

Stabilisation Action

Under the Securities and Futures (Price Stabilising) Rules under the SFO, stabilisation actions can be permitted only if the size of the Global Offering is equal to or more than HK\$100 million as described above. Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

China Everbright Securities (HK) Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Wednesday, 2 December 2020, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on Wednesday, 2 December 2020, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 45,000,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

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Stabilisation action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;
- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Wednesday, 2 December 2020, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, the Sole Representative may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Monday, 2 November 2020, and in any event not later than Wednesday, 4 November 2020, by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$1.77 per Offer Share and is expected to be not less than HK\$1.37 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Representative (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range.

We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company with the Sole Representative (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The final Offer Price, the indication of the level of interest in the Global Offering, the level of applications under the Hong Kong Public Offering and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Monday, 9 November 2020 in the manner set out in the section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 10 November 2020, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 10 November 2020, and will be traded in board lots of 2,000.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Representative, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S) and not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the application must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, the Sole Representative may accept or reject it at its discretion and on any conditions it thinks fit, including evidence of the attorney’s authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a close associate of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service in the **IPO App** or at www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 October 2020 until 12:00 noon on Monday, 2 November 2020 from:

- (i) any of the following offices of the **Hong Kong Underwriters**:

China Everbright Securities (HK) Limited	12/F, Everbright Centre
	108 Gloucester Road
	Wanchai
	Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

AMTD Global Markets Limited	23/F-25/F, Nexxus Building 41 Connaught Road Central Hong Kong
Zhongtai International Securities Limited	19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square 8 Connaught Place Central Hong Kong
China Securities (International) Corporate Finance Company Limited	18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
CMBC Securities Company Limited	45/F, One Exchange Square 8 Connaught Place Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Soochow Securities International Brokerage Limited	Level 17, Three Pacific Place 1 Queen's Road East Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Sunfund Securities Limited	18/F, Hip Shing Hong Centre 55 Des Voeux Road Central Central Hong Kong
Futu Securities International (Hong Kong) Limited	Unit C1-2, 13/F, United Centre No.95 Queensway Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Lee Chung Street Branch	29-31 Lee Chung Street Chai Wan, Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road Sham Shui Po, Kowloon
New Territories	Citywalk Branch	Shop 65 & 67-69 G/F Citywalk, 1 Yeung Uk Road Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 October 2020 until 12:00 noon on Monday, 2 November 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHINA GAS INDUSTRY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 28 October 2020 — 9:00 a.m. to 5:00 p.m.
Thursday, 29 October 2020 — 9:00 a.m. to 5:00 p.m.
Friday, 30 October 2020 — 9:00 a.m. to 5:00 p.m.
Saturday, 31 October 2020 — 9:00 a.m. to 1:00 p.m.
Monday, 2 November 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 2 November 2020, the last application day or such later time as described in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Representative (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "14. Despatch/collection of Share certificates and refund monies — personal collection" to collect Share certificate(s)/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as his or her agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 28 October 2020 until 11:30 a.m. on Monday, 2 November 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 2 November 2020 or such later time under “10. Effects of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists” in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Representative and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 28 October 2020 — 9:00 a.m. to 8:30 p.m.
Thursday, 29 October 2020 — 8:00 a.m. to 8:30 p.m.
Friday, 30 October 2020 — 8:00 a.m. to 8:30 p.m.
Saturday, 31 October 2020 — 8:00 a.m. to 1:00 p.m.
Monday, 2 November 2020 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 28 October 2020 until 12:00 noon on Monday, 2 November 2020 (24 hours daily, except on the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 2 November 2020, the last application day or such later time as described in “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section below.

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- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 2 November 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Global Offering — Price determination of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 2 November 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 2 November 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the International Offering, the level of applications under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 9 November 2020 on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk).

Results of allocations in the Hong Kong Public Offering and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants (where applicable) will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website (www.cgiiholdings.com) and the Stock Exchange's website (www.hkexnews.hk) by no later than 8:00 a.m. on Monday, 9 November 2020;
- from the “IPO Results” function in the **IPO App** or the designated results of allocations website (www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 9 November 2020 to 12:00 midnight on Sunday, 15 November 2020;
- by telephone enquiry line by calling (+852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 9 November 2020 to Thursday, 12 November 2020 (except Saturday, Sunday and public holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 9 November 2020 to Wednesday, 11 November 2020 at all the receiving bank's designated branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Representative, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Representative believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.77 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section titled "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 9 November 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, 9 November 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 10 November 2020 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 9 November 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address as specified on your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 9 November 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 9 November 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Monday, 9 November 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

— *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraphs headed "— 11. Publication of results" in this section of this prospectus. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 9 November 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 9 November 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 9 November 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 9 November 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in paragraphs headed “— 11. Publication of Results” in this section of this prospectus above on Monday, 9 November 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 9 November 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 9 November 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 9 November 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD. AND CHINA EVERBRIGHT CAPITAL LIMITED

Introduction

We report on the historical financial information of China Gas Industry Investment Holdings Co. Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-99, which comprises the consolidated balance sheets as at 31 December 2017, 2018 and 2019 and 30 June 2020, the Company balance sheets as at 31 December 2017, 2018 and 2019 and 30 June 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-99 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 October 2020 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 October 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB	RMB	RMB	RMB (Unaudited)	RMB
Revenues	8	1,027,197,069	1,145,578,294	1,305,152,146	686,708,527	597,731,673
Cost of revenues	12	(859,297,458)	(926,830,375)	(1,022,922,225)	(521,278,469)	(457,204,430)
Gross profit		167,899,611	218,747,919	282,229,921	165,430,058	140,527,243
Selling and marketing expenses	12	(2,733,740)	(2,283,844)	(1,633,735)	(916,362)	(757,259)
Administrative expenses	12	(23,125,695)	(22,269,481)	(40,188,840)	(16,574,785)	(19,855,496)
Research and development expenses	12	(21,824,219)	(31,630,468)	(50,834,019)	(19,332,170)	(24,690,066)
Other income	9	826,487	2,110,005	2,246,795	764,186	1,577,933
Other (losses)/gains, net	10	(282,040)	(1,315,543)	(421,300)	25,595	(834,219)
Operating profit		120,760,404	163,358,588	191,398,822	129,396,522	95,968,136
Finance income	11	1,766,317	1,613,115	399,142	295,062	357,755
Finance costs	11	(11,765,149)	(12,617,611)	(19,772,320)	(9,842,202)	(10,628,222)
Finance costs, net		(9,998,832)	(11,004,496)	(19,373,178)	(9,547,140)	(10,270,467)
Profit before income tax		110,761,572	152,354,092	172,025,644	119,849,382	85,697,669
Income tax expense	14	(30,770,778)	(32,521,473)	(38,188,131)	(28,204,514)	(20,972,276)
Profit for the year/period attributable to owners of the Company	15	<u>79,990,794</u>	<u>119,832,619</u>	<u>133,837,513</u>	<u>91,644,868</u>	<u>64,725,393</u>
Other comprehensive (loss)/income						
<i>Items that may not be subsequently reclassified to profit or loss</i>						
Currency translation differences		(471,330)	1,606,505	(950,815)	(88,909)	1,072,772
Total comprehensive income for the year/period		<u>79,519,464</u>	<u>121,439,124</u>	<u>132,886,698</u>	<u>91,555,959</u>	<u>65,798,165</u>
Total comprehensive income attributable to:						
Owners of the Company		<u>79,519,464</u>	<u>121,439,124</u>	<u>132,886,698</u>	<u>91,555,959</u>	<u>65,798,165</u>
Basic and diluted earnings per share (Note)	15	<u>0.79</u>	<u>1.18</u>	<u>1.32</u>	<u>0.90</u>	<u>0.61</u>

Note: The earnings per share presented above have not taken into account the proposed capitalisation issue pursuant to resolutions in writing of the shareholders passed on 17 June 2020 because the proposed capitalisation issue has not become effective as at date of this report.

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB	RMB	RMB	RMB
Assets					
Non-current assets					
Right-of-use assets	17,36(b)	53,993,895	7,067,116	29,071,145	27,051,870
Property, plant and equipment	18	1,118,947,347	1,200,086,232	1,392,908,593	1,411,368,235
Intangible assets	19	—	—	1,494,494	1,188,207
Other assets	20	—	97,505,954	14,126,961	39,154,216
		1,172,941,242	1,304,659,302	1,437,601,193	1,478,762,528
Current assets					
Inventories	21	7,217,741	6,834,423	11,115,886	9,103,791
Trade receivables	22,25,36(c)	104,695,664	232,259,239	277,809,582	240,135,338
Prepayments, deposits and other receivables	23,25,36(c)	54,819,807	74,606,194	134,904,731	81,583,403
Financial assets at fair value through other comprehensive income	25,26	111,967,109	107,296,969	51,316,794	63,181,008
Financial assets at fair value through profit or loss	25,27	—	4,500,000	—	—
Restricted cash	24,25	186	196	196	196
Cash and cash equivalents	24,25	121,403,433	206,820,872	139,790,488	359,002,536
		400,103,940	632,317,893	614,937,677	753,006,272
Total assets		1,573,045,182	1,936,977,195	2,052,538,870	2,231,768,800
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	32	73,309	73,309	76,298	76,298
Other reserves	33	1,006,543,573	911,005,309	993,537,465	994,610,237
Retained earnings		115,666,543	192,134,984	310,419,643	375,145,036
Total equity		1,122,283,425	1,103,213,602	1,304,033,406	1,369,831,571

APPENDIX I
ACCOUNTANT'S REPORT

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB	RMB	RMB	RMB
Liabilities					
Non-current liabilities					
Borrowings	25,29	—	150,000,000	110,000,000	278,000,000
Lease liabilities	25,30,36(c)	5,533,753	5,221,836	7,596,445	7,751,354
Deferred income tax liabilities	31	10,918,170	18,684,325	33,469,108	34,309,324
		16,451,923	173,906,161	151,065,553	320,060,678
Current liabilities					
Trade and other payables	25,28,36(c)	165,190,191	404,504,004	320,144,883	255,555,392
Contract liabilities	8,36(c)	10,778,377	10,472,597	7,093,539	7,297,802
Borrowings	25,29	250,000,000	238,000,000	258,000,000	270,000,000
Lease liabilities	25,30,36(c)	1,410,465	1,294,389	7,408,441	7,805,150
Income tax liabilities		6,930,801	5,586,442	4,793,048	1,218,207
		434,309,834	659,857,432	597,439,911	541,876,551
Total liabilities		450,761,757	833,763,593	748,505,464	861,937,229
Total equity and liabilities		1,573,045,182	1,936,977,195	2,052,538,870	2,231,768,800
Net current (liabilities)/assets		(34,205,894)	(27,539,539)	17,497,766	211,129,721

THE COMPANY BALANCE SHEETS

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB	RMB	RMB	RMB
Assets					
Non-current assets					
Investment in subsidiaries		920,668,379	920,668,379	920,668,379	920,668,379
		920,668,379	920,668,379	920,668,379	920,668,379
Current assets					
Prepayments, deposits and other receivables	23	31,801,248	2,680,976	6,327,647	9,101,497
Cash and cash equivalents	24	—	14,924,973	68,263,914	123,725,674
		31,801,248	17,605,949	74,591,561	132,827,171
Total assets		952,469,627	938,274,328	995,259,940	1,053,495,550
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	32	73,309	73,309	76,298	76,298
Other reserves	33	841,315,463	842,921,968	909,901,270	910,974,042
Retained earnings		111,080,855	77,564,024	57,616,706	113,362,312
Total equity		952,469,627	920,559,301	967,594,274	1,024,412,652
Liabilities					
Non-current liabilities					
		—	—	—	—
Current liabilities					
Trade and other payables	28	—	17,715,027	27,665,666	29,082,898
Total liabilities		—	17,715,027	27,665,666	29,082,898
Total equity and liabilities		952,469,627	938,274,328	995,259,940	1,053,495,550

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company			Total
		Share capital	Other reserves	Retained earnings	
		RMB	RMB	RMB	RMB
Balance at 1 January 2017		73,309	996,183,186	46,507,466	1,042,763,961
Comprehensive income					
Profit for the year		—	—	79,990,794	79,990,794
Other comprehensive income					
- Currency translation difference	33	—	(471,330)	—	(471,330)
Total comprehensive income for the year		—	(471,330)	79,990,794	79,519,464
Transactions with owners in their capacity as owners:					
Appropriation to statutory surplus reserves	33	—	10,831,717	(10,831,717)	—
Total transactions with owners in their capacity as owners for the year		—	10,831,717	(10,831,717)	—
Balance at 31 December 2017		<u>73,309</u>	<u>1,006,543,573</u>	<u>115,666,543</u>	<u>1,122,283,425</u>
Balance at 1 January 2018		73,309	1,006,543,573	115,666,543	1,122,283,425
Comprehensive income					
Profit for the year		—	—	119,832,619	119,832,619
Other comprehensive income					
- Currency translation difference	33	—	1,606,505	—	1,606,505
Total comprehensive income for the year		—	1,606,505	119,832,619	121,439,124
Transactions with owners in their capacity as owners:					
Appropriation to statutory surplus reserves	33	—	13,564,178	(13,564,178)	—
Cancellation of shareholders' contribution ⁽¹⁾	33	—	(110,708,947)	—	(110,708,947)
Dividends	16	—	—	(29,800,000)	(29,800,000)
Total transactions with owners in their capacity as owners for the year		—	(97,144,769)	(43,364,178)	(140,508,947)
Balance at 31 December 2018		<u>73,309</u>	<u>911,005,309</u>	<u>192,134,984</u>	<u>1,103,213,602</u>

- (1) Shareholders of the Company cancelled certain of their capital contribution arrangements with one of the subsidiaries of the Company in 2018 and related amount were recorded as a reduction in the balance of other reserves. Details please refer to note 33 (b).

APPENDIX I

ACCOUNTANT'S REPORT

	Note	Attributable to owners of the Company			Total
		Share capital	Other reserves	Retained earnings	
		RMB	RMB	RMB	RMB
Balance at 1 January 2019		73,309	911,005,309	192,134,984	1,103,213,602
Comprehensive income					
Profit for the year		—	—	133,837,513	133,837,513
Other comprehensive income					
- Currency translation difference	33	—	(950,815)	—	(950,815)
Total comprehensive income for the year		—	(950,815)	133,837,513	132,886,698
Transactions with owners in their capacity as owners:					
Appropriation to statutory surplus reserves	33	—	15,552,854	(15,552,854)	—
Capitalisation of shareholder loan ⁽¹⁾	33	2,989	67,930,117	—	67,933,106
Total transactions with owners in their capacity as owners for the year		2,989	83,482,971	(15,552,854)	67,933,106
Balance at 31 December 2019		<u>76,298</u>	<u>993,537,465</u>	<u>310,419,643</u>	<u>1,304,033,406</u>
Balance at 1 January 2020		76,298	993,537,465	310,419,643	1,304,033,406
Comprehensive income					
Profit for the period		—	—	64,725,393	64,725,393
Other comprehensive income					
- Currency translation difference	33	—	1,072,772	—	1,072,772
Total comprehensive income for the period		—	1,072,772	64,725,393	65,798,165
Balance at 30 June 2020		<u>76,298</u>	<u>994,610,237</u>	<u>375,145,036</u>	<u>1,369,831,571</u>
(Unaudited)					
Balance at 1 January 2019		73,309	911,005,309	192,134,984	1,103,213,602
Comprehensive income					
Profit for the period		—	—	91,644,868	91,644,868
Other comprehensive income					
- Currency translation difference	33	—	(88,909)	—	(88,909)
Total comprehensive income for the period		—	(88,909)	91,644,868	91,555,959
Balance at 30 June 2019		<u>73,309</u>	<u>910,916,400</u>	<u>283,779,852</u>	<u>1,194,769,561</u>

(1) One of the shareholders of the Company capitalized its shareholder loan into shares of the Company in 2019. Details please refer to note 33 (c).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB	RMB	RMB	RMB (Unaudited)	RMB
Cash flows from operating activities						
Cash generated from operations	34	95,093,492	300,784,459	248,730,517	145,349,336	136,879,974
Interest paid		(12,955,834)	(12,281,192)	(18,673,345)	(9,502,421)	(9,857,908)
Income tax and withholding tax paid		(16,061,192)	(25,017,176)	(24,196,742)	(12,097,665)	(23,706,901)
Net cash generated from operating activities		<u>66,076,466</u>	<u>263,486,091</u>	<u>205,860,430</u>	<u>123,749,250</u>	<u>103,315,165</u>
Cash flows from investing activities						
Investment income from bank wealth management products		275,617	2,003,165	345,312	343,186	—
Cash received on maturity of bank wealth management products		140,000,000	767,250,000	29,500,000	29,500,000	—
Cash payments for purchase of bank wealth management products		(140,000,000)	(771,750,000)	(25,000,000)	(25,000,000)	—
Purchases of property, plant and equipment and other long-term assets		(33,497,510)	(231,731,614)	(321,350,737)	(244,040,286)	(61,959,871)
Proceeds from disposal of property, plant and equipment		—	747,251	18,096	—	14,656
Net cash used in investing activities		<u>(33,221,893)</u>	<u>(233,481,198)</u>	<u>(316,487,329)</u>	<u>(239,197,100)</u>	<u>(61,945,215)</u>
Cash flows from financing activities						
Proceeds from borrowings		340,000,000	438,000,000	264,340,855	106,340,855	240,000,000
Repayments of borrowings		(290,000,000)	(300,000,000)	(218,000,000)	(40,000,000)	(60,000,000)
Repayment of contributions from shareholders	33	—	(66,667,025)	—	—	—
Principal elements of lease payments	17	(1,095,878)	(1,191,066)	(114,802)	(114,802)	(123,364)
Payment of listing expenses		—	—	(3,686,761)	—	(2,794,068)
Dividends paid to the Company's shareholders	16	—	(14,900,000)	—	—	—
Net cash generated from financing activities		<u>48,904,122</u>	<u>55,241,909</u>	<u>42,539,292</u>	<u>66,226,053</u>	<u>177,082,568</u>

APPENDIX I**ACCOUNTANT'S REPORT**

Note	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
Net increase/(decrease) in cash and cash equivalents	81,758,695	85,246,802	(68,087,607)	(49,221,797)	218,452,518
Cash and cash equivalents at beginning of year/period	39,670,007	121,403,433	206,820,872	206,820,872	139,790,488
Effects of exchange rate changes on cash and cash equivalents	(25,269)	170,637	1,057,223	—	759,530
Cash and cash equivalents at end of year/period	<u>121,403,433</u>	<u>206,820,872</u>	<u>139,790,488</u>	<u>157,599,075</u>	<u>359,002,536</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

1.1 General information

The Company was incorporated in the Cayman Islands on 4 August 2006 as an exempted company with limited liability under the Companies Law, CAP 22. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the production and sales of industrial gases in the People's Republic of China (the "PRC").

The shareholders of the Company were China Gas Investors Ltd. ("CGI") and Shanghai Huitang Zhihe Investment Co., Ltd. ("SH Huitang Zhihe"), each holding 50% of equity interests in the Company historically. In June 2019, the Group entered into an interest-free loan agreement with CGI with the principal amount of United States Dollar ("USD") 9,650,000 (equivalent to RMB 66,340,855). In November 2019, CGI capitalised such shareholder loan into 4,245,494 shares of the Company, after that the shareholding of CGI and SH Huitang Zhihe in the Company was 52.01% and 47.99%, respectively.

1.2 Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company Name	Place of incorporation and kind of legal entity	Place and date of incorporation	Issued and Paid-in Capital	Attributable equity interest of the Group					Principal activities/ place of operation
				As at 31 December			As at 30 June	As at the date of this report	
				2017	2018	2019	2020		
Tangshan Tangsteel Gases Co., Ltd. (唐山唐鋼氣體有限公司)	People's Republic of China, limited liability company [#]	Tangshan, the PRC/ 8 February 2007	RMB 777,965,404	100%/ direct	100%/ direct	100%/ direct	100%/ direct	100%/ direct	Production and sales of industrial gases/ Tangshan, the PRC
Luanxian Tangsteel Gases Co., Ltd. (灤縣唐鋼氣體有限公司)	People's Republic of China, limited liability company	Tangshan, the PRC / 3 December 2013	RMB 12,000,000	100%/ indirect	100%/ indirect	100%/ indirect	100%/ indirect	100%/ indirect	Production and sales of liquefied natural gas ("LNG") / Tangshan, the PRC
Tangshan Tangsteel Dongxin Village Gases Refuelling Station Co., Ltd. (唐山唐鋼東新村加氣站有限公司)	People's Republic of China, limited liability company	Tangshan, the PRC/ 22 January 2016	RMB 3,000,000	100%/ indirect	100%/ indirect	100%/ indirect	100%/ indirect	100%/ indirect	An automobile LNG filling station / Tangshan, the PRC
Zhongqi Investment (Tangshan) Gases Co., Ltd. (中氣投(唐山)氣體有限公司)	People's Republic of China, limited liability company	Tangshan, the PRC/ 20 July 2018	RMB 72,000,000	N/A	100%/ indirect	100%/ indirect	100%/ indirect	100%/ indirect	Construction of industrial gas projects

[#] Registered as wholly foreign owned enterprises under PRC law

The statutory auditors of the Company's subsidiaries are listed below:

Company Name	Statutory auditors			Note
	2017	2018	2019	
Tangshan Tangsteel Gases Co., Ltd. (唐山唐鋼氣體有限公司)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	(i)
Luanxian Tangsteel Gases Co., Ltd. (灤縣唐鋼氣體有限公司)	Hebei Tian Jia Accountant Office Co., Ltd.	Tangshan Zheng Xin Accountant Office Co., Ltd.	Tangshan Zheng Xin Accountant Office Co., Ltd.	(ii)
Tangshan Tangsteel Dongxin Village Gases Refuelling Station Co., Ltd. (唐山唐鋼東新村加氣站有限公司)	N/A	N/A	N/A	(iii)
Zhongqi Investment (Tangshan) Gases Co., Ltd. (中氣投(唐山)氣體有限公司)	N/A	Tangshan Zheng Xin Accountant Office Co., Ltd.	Tangshan Zheng Xin Accountant Office Co., Ltd.	(iv)

The English names of all subsidiaries referred herein represent the directors' best effort at translating the Chinese names of these companies as no English names have been registered.

All companies comprising the Group have adopted 31 December as their financial year end date.

- (i) The statutory financial statements of Tangshan Tangsteel Gases Co., Ltd were audited by PricewaterhouseCoopers Zhong Tian LLP for the years ended 31 December 2017, 2018 and 2019.
- (ii) The statutory financial statements of Luanxian Tangsteel Gases Co., Ltd. were audited by Hebei Tian Jia Accountant Office Co., Ltd. for the year ended 31 December 2017 and were audited by Tangshan Zheng Xin Accountant Office Co., Ltd. for the years ended 31 December 2018 and 2019.
- (iii) No audited financial statements were issued for the subsidiary because it was not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (iv) The statutory financial statements of Zhongqi Investment (Tangshan) Gases Co., Ltd. were audited by Tangshan Zheng Xin Accountant Office Co., Ltd. for the years ended 31 December 2018 and 2019.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 6.

The Historical Financial Information has been prepared based on the consolidated financial statement of the Company and its subsidiaries. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

IFRS 9, “Financial instruments” and IFRS 15, “Revenue from contracts with customers” are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. IFRS 16, “Leases” is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group has adopted IFRS 9, IFRS 15 and IFRS 16 consistently throughout the Track Record Period.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2020, are consistently applied to the Group for the Track Record Period.

Details about the Group’s accounting policies in relation to revenue, financial instruments and lease are discussed in Note 2.21, Note 2.8 and Note 2.22, respectively.

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Effective for annual periods beginning on or after
IFRS 17, "Insurance Contracts"	1 January 2023
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
Amendments to IAS 1, "Classification of Liabilities as Current and Non-current"	1 January 2022
Amendments to IAS 16, "Property, Plant and Equipment : Proceeds before intended use"	1 January 2022
Amendments to IFRS 3, "Reference to the Conceptual Framework"	1 January 2022
Amendments to IAS 37, "Onerous Contracts — Cost of Fulfilling a Contract"	1 January 2022
Annual improvements to IFRS standards 2018-2020	1 January 2022
Amendment to IFRS 16, "COVID-19 Related Rent Concessions"	1 June 2020

The Directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies within the Group are eliminated on consolidation.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business

- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The board of directors of the Company, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker ("CODM"). The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group has determined that it has two reportable segments as follows:

- Supply of industrial gas
- Liquefied natural gas ("LNG") and gas transmission service

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is USD, and the subsidiaries are incorporated in the PRC and these entities considered RMB as their functional currency. Since the majority of assets and operations of the Group are located in the PRC, the Historical Financial Information is presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within “other gains/(losses), net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment (“PP&E”) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on Property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Residual value rate</u>	<u>Estimated useful lives</u>
— Buildings	3%	30 years
— Machinery	3%	20 years
— Electronic equipment	0%	5 years
— Instruments and other equipment	0%	10 years
— Vehicles	10%	10 years
— Leasehold improvements	0%	Shorter of remaining term of the lease and the estimated useful lives of assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other gains or losses, net" in the consolidated statements of comprehensive income.

Construction in progress ("CIP") represents leasehold improvements, production line and manufacturing plants under construction. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and capitalised costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in above.

2.6 Intangible assets

Intangible assets represent the computer software purchased from a third party. They are initially recognised and measured at cost. Intangible assets are amortised over their estimated useful lives (generally 3 years) using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

Research and development expenses

The Group recognised costs associated with the Group's research and development as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the Group are recognised as intangible assets when the following criteria are met: (i) it is technically feasible to complete the project so that it will be available for use, (ii) the management intends to complete the project and use or sell it, (iii) there is an ability to use or sell the project, (iv) it can be demonstrated how the project will generate probable future economic benefits, (v) adequate technical, financial, and other resources to complete the development, and to use or sell the project are available, and (vi) the expenditure attributable to the project during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised as an expense as incurred. The Group has no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units which are largely independent of the cash inflows from other assets or group of assets). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets*(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income,
- those to be measured subsequently at fair value through profit or loss, and

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 25 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to

profit or loss and recognised in “Other gains/(losses), net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other gains/(losses), net” and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

Fair value through profit or loss (“FVPL”): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in “Other income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in “Other gains/(losses), net” as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(e) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and notes receivable, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.9 Inventories

Inventories, mainly consisting of finished goods and spare parts, are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.16 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company and its subsidiaries, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.19 Earnings per share*(a) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for industrial gas generated and supplied or services provided, stated net of value added taxes.

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time. The following is a description of the accounting policy for our principle revenue streams:

(a) Supply of industrial gas

Sales and distribution of natural gas are recognised at a point in time when control is transferred to customers, which generally coincides with the time when gas is transmitted and used by the customers, and is based on the gas consumption data derived from meter readings. Payment of the transaction price is due immediately at the point the customer consume the gas.

(b) Supply of liquefied industrial gas and liquefied natural gas ("LNG")

For supply of liquefied industrial gas and liquefied natural gas for which the control of products is transferred to customer on delivery, revenue is recognised at a point in time when the customer obtains the physical possession of products and the Group has present right to payment and the collection of the consideration is probable.

(c) Gas transmission service

For gas transmission service for which the obligation of service is satisfied on transmission of gas, revenue is recognised for each reporting period based on the volume of gas transmitted and the unit service fee as agreed in the service contract.

(d) Others

Others consist of income from sales of compressed natural gas and LNG for vehicles at our natural gas station, and other special gas etc., which are recognised when the relevant items are delivered to the buyers.

(e) Contract liabilities

A contract liability is recorded when the Group's obligation to transfer goods to a customer has not yet occurred but for which the Group has received consideration from the customer. The Group presents such advances from customers as contract liabilities on the consolidated balance sheets.

2.22 Leases

The Group leases land, office and buildings as lessee. Rental contracts are typically made for fixed periods of 1 to 20 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as of the date of initial adoption of IFRS 16.

The right-of-use assets and the lease liabilities are present separately on the consolidated balance sheets.

2.23 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD whereas functional currency of its subsidiaries operate in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures wherever possible.

If RMB had strengthened or weakened by 5% against the USD with all other variables held constant, the profit before income tax for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 would have been approximately RMB 1,501,850 higher/lower, RMB 148,767 lower/higher, RMB 232,382 lower/higher, RMB 280,184 lower/higher and RMB 3,216,897 higher/lower respectively as a result of net foreign exchange gains/(losses) on translation of net monetary assets.

(ii) Interest rate risk

The Group's interest rate risk primarily arose from borrowings with floating rates (details of which have been disclosed in Note 29), financial assets at FVPL and FVOCI, and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of borrowings with floating rate had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 would have been approximately RMB 71,742, RMB 493,534, RMB 855,469, RMB 425,764 and RMB 304,791 lower/higher, respectively. This analysis doesn't include the effect of interest capitalised.

If the interest rate of financial assets at fair value through profit or loss had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020 would have been approximately RMB 49,217, RMB 333,861, RMB 57,552, RMB 57,198 and Nil higher/lower, respectively.

If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020 would have been approximately RMB 607,017, RMB 1,034,104, RMB 698,952, RMB 449,990 and, RMB 897,506 higher/lower, respectively.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, notes receivables and other receivables. The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, notes receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group did not record any significant bad debt losses during the Track Record Period.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and cash equivalents and restricted cash, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables and notes receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and notes receivables. To measure the expected credit losses, trade receivable and notes receivable have been grouped based on shared credit risk characteristics and the days past due.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

- actual or expected significant changes in the operating results of customers
- significant changes in the expected performance and behaviour of the customers, including changes in the payment status.

The expected loss rates are based on the payment profiles of sales over a period of at least 24 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

No provision for impairment loss for trade receivables and notes receivables was made at 31 December 2017, 2018 and 2019 and 30 June 2020 as the trade receivables and notes receivables were considered to be of low credit risk and the expected credit loss of these trade receivables and notes receivables was minimal.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, approximately 72%, 89%, 93% and 92% of the Group's trade receivables were due from HBIS Group Co., Ltd. and its subsidiaries and their respective associates (collectively the "HBIS Group"). Given the strong business relationship with the HBIS Group and its good reputation, management does not expect that there will be any significant losses from non-performance by HBIS Group. The credit period granted to the Group's customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from them is not significant. In addition, there was no significant unfavourable current conditions and forecast future economic conditions identified as at 31 December 2017, 2018 and 2019. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at 30 June 2020, and determined that the expected credit loss retained to be minimal as at 30 June 2020.

The following table summarised customers with balances greater than 10% of accounts receivables:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Customer A	36%	71%	62%	43%
Customer B	14%	10%	15%	31%
Customer C	17%	*	*	*

* Less than 10%

(iii) Credit risk of other receivables

Other receivables mainly comprise deposits and other receivables. The Directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counter party;
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status of the counter party.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

The following table summarised customers with balances greater than 10% of other receivables:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Customer D	97%	96%	98%	*

* Less than 10%

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

At 31 December 2017, 2018 and 2019 and 30 June 2020, the Group held cash and cash equivalents of RMB 121,403,433, RMB 206,820,872, RMB 139,790,488 and RMB 359,002,536 respectively (Note 24) and trade receivables of RMB 104,695,664, RMB 232,259,239, RMB 277,809,582 and RMB 240,135,338, respectively (Note 22) and other receivables (including receivable from related parties, deposits and others) of RMB 16,841,520, RMB 36,244,544, RMB 64,709,130 and RMB 3,194,231 respectively (Note 23) that are expected to readily generate cash inflows for managing liquidity risk.

At 31 December 2017, 2018 and 2019 and 30 June 2020, the Group had net current liabilities of RMB 34,205,894 and RMB 27,539,539 and net current assets of RMB 17,497,766 and RMB 211,129,721 respectively. With the consideration of anticipated operation cash inflows, and the ability of adjusting the pace of its operation expansion and expenditures, the directors are responsible of the opinion that the Group has sufficient cash flows in the near future to manage the liquidity risks resulted from net current liability situations.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheets date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB	RMB	RMB	RMB	RMB
At 31 December 2017					
Borrowings (principal and accrued interest)	257,204,576	—	—	—	257,204,576
Trade and other payables (excluding salaries and bonus payables and tax payables and interests payable)	156,819,077	—	—	—	156,819,077
Lease liabilities	1,748,209	832,104	2,496,311	3,494,916	8,571,540
	<u>415,771,862</u>	<u>832,104</u>	<u>2,496,311</u>	<u>3,494,916</u>	<u>422,595,193</u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB	RMB	RMB	RMB	RMB
At 31 December 2018					
Borrowings (principal and accrued interest)	254,142,565	47,968,126	115,731,535	—	417,842,226
Trade and other payables (excluding salaries and bonus payables and tax payables and interests payable)	400,326,869	—	—	—	400,326,869
Lease liabilities	1,611,172	1,091,794	2,496,311	2,662,812	7,862,089
	<u>656,080,606</u>	<u>49,059,920</u>	<u>118,227,846</u>	<u>2,662,812</u>	<u>826,031,184</u>

APPENDIX I**ACCOUNTANT'S REPORT**

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
At 31 December 2019					
Borrowings (principal and accrued interest)	273,130,905	115,827,327	—	—	388,958,232
Trade and other payables (excluding salaries and bonus payables and tax payables and interests payable)	315,447,742	—	—	—	315,447,742
Lease liabilities	8,254,945	4,292,193	2,496,311	1,830,708	16,874,157
	<u>596,833,592</u>	<u>120,119,520</u>	<u>2,496,311</u>	<u>1,830,708</u>	<u>721,280,131</u>
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
At 30 June 2020					
Borrowings (principal and accrued interest)	290,447,895	105,579,885	183,431,090	—	579,458,870
Trade and other payables (excluding salaries and bonus payables and tax payables and interests payable)	247,162,064	—	—	—	247,162,064
Lease liabilities	8,254,945	4,292,193	2,496,311	1,664,604	16,708,053
	<u>545,864,904</u>	<u>109,872,078</u>	<u>185,927,401</u>	<u>1,664,604</u>	<u>843,328,987</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not have derivative financial liability.

The amounts included above for borrowings with floating rate is subject to change if changes in floating interest rates differ to those estimates of interest rates determined at the end of the reporting period.

4 Capital management

Risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debts consists of total borrowings, as well as lease liabilities (including "current and non-current" items as shown in the consolidated balance sheets).

The gearing ratios at 31 December 2017, 2018 and 2019 and 30 June 2020 were as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Total debt	256,944,218	394,516,225	383,004,886	563,556,504
Total equity	1,122,283,425	1,103,213,602	1,304,033,406	1,369,831,571
Gearing ratio	23%	36%	29%	41%

5 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements.

(a) Fair value hierarchy

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade receivables and prepayments, deposits and other assets and financial liabilities including trade and other payables, interest-bearing bank borrowings, and lease liabilities, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowings approximate their fair values as they are carried at interest rate close to market rate at each year end.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2017, 2018 and 2019 and 30 June 2020:

	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 31 December 2017					
Financial assets at fair value through other comprehensive income	26	<u>—</u>	<u>—</u>	<u>111,967,109</u>	<u>111,967,109</u>
As at 31 December 2018					
Financial assets at fair value through other comprehensive income	26	<u>—</u>	<u>—</u>	<u>107,296,969</u>	<u>107,296,969</u>
Financial assets at fair value through profit or loss	27	<u>—</u>	<u>—</u>	<u>4,500,000</u>	<u>4,500,000</u>
		<u>—</u>	<u>—</u>	<u>111,796,969</u>	<u>111,796,969</u>
As at 31 December 2019					
Financial assets at fair value through other comprehensive income	26	<u>—</u>	<u>—</u>	<u>51,316,794</u>	<u>51,316,794</u>
As at 30 June 2020					
Financial assets at fair value through other comprehensive income	26	<u>—</u>	<u>—</u>	<u>63,181,008</u>	<u>63,181,008</u>

The level 3 instruments include notes receivable and investment in bank wealth management products. As these instruments are not traded in an active market, their fair values have been determined based on discounted cash flow using the expected return based on management judgement and estimates. Fair value of notes receivables (Note 26) and bank wealth management products (Note 27) are considered approximate to their carrying amount.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments of financial assets at fair value through other comprehensive income for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
At beginning of the year/period	29,920,000	111,967,109	107,296,969	107,296,969	51,316,794
Acquisitions	319,057,679	282,927,740	328,400,509	213,106,355	122,891,504
Disposals	(237,010,570)	(287,597,880)	(384,380,684)	(232,352,435)	(111,027,290)
Changes in fair value	—	—	—	—	—
At the end of the year/period	<u>111,967,109</u>	<u>107,296,969</u>	<u>51,316,794</u>	<u>88,050,889</u>	<u>63,181,008</u>
Net unrealised gains for the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
At beginning of the year/period	—	—	4,500,000	4,500,000	—
Purchase	140,000,000	771,750,000	25,000,000	25,000,000	—
Mature	(140,275,617)	(769,253,165)	(29,845,312)	(29,843,186)	—
Changes in fair value	<u>275,617</u>	<u>2,003,165</u>	<u>345,312</u>	<u>343,186</u>	<u>—</u>
At the end of the year/period	<u>—</u>	<u>4,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net unrealised gains for the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Valuation process and techniques

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least one a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- a combination of observable and unobservable inputs, including discount rate etc..

There were no changes to valuation techniques during the Track Record Period.

(d) Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at 31 December				Fair value at 30 June		Unobservable inputs	Range of inputs at 31 December			Range of inputs at 30 June		Relationship of unobservable inputs to fair value	
	2017		2018		2019			2017		2018		2019		
	RMB		RMB		RMB			RMB		RMB		RMB		
Notes receivables	111,967,109		107,296,969		51,316,794		63,181,008	Risk-adjusted discount rate	2.84%-4.94%	2.55%-3.48%	2.90%-3.07%	2.08%-2.30%	The higher the risk-adjusted discount rate, the lower the fair value	
Bank wealth management products	—		4,500,000		—		—	Expected rate of return	N/A	3.00%-4.60%	N/A	N/A	The higher the expected rate of return, the higher the fair value	

Key assumptions used in the valuation of the fair value of notes receivables include risk-adjusted discount rate, if the risk-adjusted discount rate had decreased or increased by 3% with all other variables held constant, the fair value of notes receivables would have been increased or decreased by approximately RMB 833,896 or RMB 817,775, RMB 700,915 or RMB 687,895, RMB 459,706 or RMB 401,372 and RMB 489,858 or RMB 479,005 as of 31 December 2017, 2018 and 2019 and 30 June 2020.

Key assumptions used in the valuation of the fair value of bank wealth management products include expected rate of return, if the expected rate of return had decreased or increased by 3% with all other variables held constant, the fair value of bank wealth management products would have been increased or decreased by approximately RMB 10,460 or RMB 10,413 as of 31 December 2018.

6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Deferred taxation

The Group's operating subsidiaries in the PRC are subject to Enterprise Income Tax. Significant judgement is required in determining the deferred tax relating to certain temporary differences and tax losses in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises assets or liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the deferred income tax assets and liabilities in the period in which such determination is made.

(b) Useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives and residual values of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives or residual values are less than previously estimated values. Actual economic lives and residual values may differ from estimated useful lives and residual values. Periodic review could result in a change in depreciable and amortisable lives and residual values, which therefore affect the depreciation and amortisation charges in future periods.

(c) Impairment of property, plant and equipment

The Group's management evaluates the impairment risks of property, equipment and leasehold improvements based on accounting policies stated in Note 2.7. Recoverable amounts of property, plant and equipment is the value in use, which is higher than the asset's fair value less costs of disposal. When calculating the value in use, the Group is required to estimate and evaluate the future cash flow of each assets group and the discount rate to determine the current value.

(d) Impairment of trade, notes and other receivables

The loss allowances for trade, notes and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 2.8(e).

7 Segment information

The Group is principally engaged in production and supply of industrial gas in the PRC. The Group is also engaged in production and supply of liquefied natural gas and related gas transmission service. The Group's board of directors has been identified as the CODM who considers the business from the product perspective.

The Group's business activities, for which discrete financial information are available, regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that it has two reportable segments as follows:

- Supply of industrial gas
- Liquefied natural gas ("LNG") and gas transmission service

CODM assesses the performance of the reportable segments based on their revenue and gross profit. No analysis of the reportable segments' assets and liabilities is regularly provided to the CODM for review.

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December 2017			
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	RMB	RMB	RMB
Segment revenue	938,981,968	99,746,681	(11,531,580)	1,027,197,069
Gross profit/(loss)	197,744,792	(29,845,181)	—	167,899,611
	Year ended 31 December 2018			
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	RMB	RMB	RMB
Segment revenue	1,034,383,182	123,840,369	(12,645,257)	1,145,578,294
Gross profit/(loss)	219,757,904	(1,009,985)	—	218,747,919

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2019 and 2020 are as follows (continued):

Year ended 31 December 2019				
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	RMB	RMB	RMB
Segment revenue	1,213,558,830	104,268,851	(12,675,535)	1,305,152,146
Gross profit	277,059,036	5,170,885	—	282,229,921
Six months ended 30 June 2020				
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	RMB	RMB	RMB
Segment revenue	567,045,420	35,395,497	(4,709,244)	597,731,673
Gross profit	140,388,970	138,273	—	140,527,243
Six months ended 30 June 2019 (unaudited)				
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	RMB	RMB	RMB
Segment revenue	646,266,229	47,727,146	(7,284,848)	686,708,527
Gross profit/(loss)	168,953,948	(3,523,890)	—	165,430,058

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in mainland China and all its revenue is derived in mainland China. Accordingly, no geographical information on the total revenues is presented.

The customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Customer A	40%	39%	43%	43%	44%
Customer B	16%	15%	22%	22%	26%
Customer C	20%	18%	16%	15%	16%

8 Revenues

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
<i>Recognised at a point in time</i>					
Supply of pipeline industrial gas	682,020,554	719,401,110	931,635,716	495,547,708	452,122,005
Supply of liquefied industrial gas	237,648,696	289,713,734	255,195,947	136,415,445	101,687,375
Supply of LNG and gas transmission service	98,556,875	122,952,041	103,598,975	47,205,198	35,395,497
Others	8,970,944	13,511,409	14,721,508	7,540,176	8,526,796
	<u>1,027,197,069</u>	<u>1,145,578,294</u>	<u>1,305,152,146</u>	<u>686,708,527</u>	<u>597,731,673</u>

Contract liabilities

The Group presents advances from customers as contract liabilities on the consolidated balance sheets.

The Group has recognised the following contract liabilities:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Supply of liquefied industrial gas	5,957,285	6,151,254	4,542,522	5,659,468
Supply of LNG	3,368,230	3,200,155	1,290,269	1,290,269
Others	1,452,862	1,121,188	1,260,748	348,065
	<u>10,778,377</u>	<u>10,472,597</u>	<u>7,093,539</u>	<u>7,297,802</u>

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in each of the years/periods relates to carried-forward contract liabilities at the beginning of the year/period:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Supply of liquefied industrial gas	7,010,279	3,765,898	3,368,200	3,100,457	1,681,132
Supply of LNG	1,943,043	2,025,987	2,382,864	2,259,805	—
Others	461,860	774,995	489,288	468,543	1,108,940
	<u>9,415,182</u>	<u>6,566,880</u>	<u>6,240,352</u>	<u>5,828,805</u>	<u>2,790,072</u>

9 Other income

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Investment income from bank					
wealth management products	275,617	2,003,165	345,312	343,186	—
Government grants	200,670	103,600	1,900,783	421,000	1,577,933
Others	350,200	3,240	700	—	—
	<u>826,487</u>	<u>2,110,005</u>	<u>2,246,795</u>	<u>764,186</u>	<u>1,577,933</u>

Government grants are all income related and there exists no unfulfilled conditions or other contingencies attaching to these government grants.

10 Other (losses)/gains, net

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Net foreign exchange					
gains/(losses)	446,060	(1,435,859)	(28,854)	25,595	(475,159)
Gains/(losses) on disposal of					
property, plant and					
equipment	—	133,231	(392,446)	—	(131,286)
Others	(728,100)	(12,915)	—	—	(227,774)
	<u>(282,040)</u>	<u>(1,315,543)</u>	<u>(421,300)</u>	<u>25,595</u>	<u>(834,219)</u>

11 Finance costs, net

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Finance income:					
Interest income from bank deposits	1,766,317	1,613,115	399,142	295,062	357,755
Finance costs:					
Interest expenses on bank borrowings	(11,364,376)	(12,264,463)	(18,627,367)	(9,487,750)	(9,910,500)
Interest expenses on discount of notes receivable	—	—	(179,957)	—	—
Interest expenses on lease liabilities	(400,773)	(353,148)	(964,996)	(354,452)	(717,722)
Finance costs expensed	(11,765,149)	(12,617,611)	(19,772,320)	(9,842,202)	(10,628,222)
Finance costs, net	<u>(9,998,832)</u>	<u>(11,004,496)</u>	<u>(19,373,178)</u>	<u>(9,547,140)</u>	<u>(10,270,467)</u>

Interest and related expenses mainly arise from the borrowings disclosed in Note 29.

12 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
Consumption of utilities	629,666,380	704,126,757	822,480,271	421,183,033	373,485,649
Consumption of raw materials and low value consumables	66,528,887	67,072,830	54,756,552	23,556,299	11,936,888
Changes in inventories of finished goods	2,538,099	(135,722)	(3,842,341)	(2,266,735)	2,012,689
Depreciation of property, plant and equipment (Note 18)	86,902,587	88,421,450	94,850,557	47,167,229	48,280,857
Amortisation of right-of-use assets (Note 17)	3,789,677	3,890,486	4,084,906	2,064,263	2,019,275
Employee benefits expenses (Note 13)	44,066,964	46,262,646	46,735,749	25,863,926	20,626,126
Freight expenses	17,682,512	19,532,265	22,066,944	11,208,635	9,053,267
Equipment maintenance expenses	21,779,856	24,029,448	24,484,219	8,452,373	10,244,151
Operating service charges	13,396,192	13,221,487	13,365,867	6,954,736	6,954,736
Tax surcharges	6,906,340	7,455,681	8,049,486	4,928,212	4,010,348
Outsourcing labour costs	4,571,140	2,683,863	2,128,964	1,132,741	974,618
Amortisation of intangible assets (Note 19)	—	—	343,224	61,717	306,287
Professional service fee	3,079,659	1,211,135	973,603	228,363	119,260
Listing expenses	—	2,134,052	19,886,446	6,349,275	10,224,198
Others	6,072,819	3,107,790	5,214,372	1,217,719	2,258,902
	<u>906,981,112</u>	<u>983,014,168</u>	<u>1,115,578,819</u>	<u>558,101,786</u>	<u>502,507,251</u>

13 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Wages, salaries, bonuses	30,245,905	32,056,590	32,932,573	17,760,483	17,232,153
Housing funds, medical insurance and other social welfare contributions (a)	5,996,545	6,020,284	6,587,719	2,996,274	2,500,859
Pension costs					
— defined contribution plans (b)	5,808,816	6,274,485	5,224,535	2,885,214	394,530
Other benefits	2,015,698	1,911,287	1,990,922	2,221,955	498,584
	<u>44,066,964</u>	<u>46,262,646</u>	<u>46,735,749</u>	<u>25,863,926</u>	<u>20,626,126</u>

- (a) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 15.5% to 24% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.
- (b) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 0% to 20% of such relevant income, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(c) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the Track Record Period were executives of the Group, none of them was a director of the Group. Details of the remunerations of the five highest paid individuals are set out as below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Wages, salaries, bonuses	1,700,747	1,978,952	2,118,865	1,408,572	1,148,314
Pension costs — defined contribution plans	271,677	258,291	263,120	124,626	20,240
Housing funds, medical insurance and other social welfare contributions	209,074	214,289	238,777	111,725	87,328
	<u>2,181,498</u>	<u>2,451,532</u>	<u>2,620,762</u>	<u>1,644,923</u>	<u>1,255,882</u>

The number of highest paid individuals whose remunerations for each year fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument band					
Nil to HKD1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Remunerations for one of the five highest paid individuals were paid by the Group through the payment of service charges to its related party with the amount of RMB 406,800, RMB 463,140, RMB 433,140, RMB 216,570 and RMB 231,150 for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020.

(d) Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2017 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Director's fees	Discretionary bonus	Total
For the year ended						
31 December 2017						
Executive Directors						
David T Chen	—	—	—	—	—	—
Yao Li	—	—	—	—	—	—
Non-executive						
Directors						
Zhang Aimin	—	—	—	—	—	—
Lai Yui	—	—	—	—	—	—
Ng Shuk Ming	—	—	—	—	—	—
Other Director						
Tian Chuan ⁽ⁱ⁾	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2018 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Director's fees	Discretionary bonus	Total
For the year ended						
31 December 2018						
Executive Directors						
David T Chen	—	—	—	—	—	—
Yao Li	—	—	—	—	—	—
Non-executive						
Directors						
Zhang Aimin	—	—	—	—	—	—
Lai Yui	—	—	—	—	—	—
Ng Shuk Ming	—	—	—	—	—	—
Other Director						
Tian Chuan ⁽ⁱ⁾	—	—	—	—	—	—

APPENDIX I

ACCOUNTANT'S REPORT

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Director's fees	Discretionary bonus	Total
For the year ended						
31 December 2019						
Executive Directors						
David T Chen	—	—	—	—	—	—
Yao Li	—	—	—	—	—	—
Gao Guimin ⁽ⁱⁱ⁾	—	—	—	—	—	—
Non-executive						
Directors						
Zhang Aimin	—	—	—	—	—	—
Lai Yui	—	—	—	—	—	—
Ng Shuk Ming	—	—	—	—	—	—
Other Director						
Tian Chuan ⁽ⁱ⁾	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the six months ended 30 June 2020 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Director's fees	Discretionary bonus	Total
For the six months						
ended 30 June 2020						
Executive Directors						
David T Chen	—	—	—	—	—	—
Yao Li	—	—	—	—	—	—
Gao Guimin ⁽ⁱⁱ⁾	—	—	—	—	—	—
Non-executive						
Directors						
Zhang Aimin	—	—	—	—	—	—
Lai Yui	—	—	—	—	—	—
Ng Shuk Ming	—	—	—	—	—	—
Independent						
non-executive						
Directors						
Siu Chi Hung ⁽ⁱⁱⁱ⁾	—	—	—	—	—	—
Xiao Huan Wei ⁽ⁱⁱⁱ⁾	—	—	—	—	—	—
Li Chun Elsy ⁽ⁱⁱⁱ⁾	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the six months ended 30 June 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs- defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Director's fees	Discretionary bonus	Total
For the six months ended 30 June 2019 (unaudited)						
Executive Directors						
David T Chen	—	—	—	—	—	—
Yao Li	—	—	—	—	—	—
Non-executive Directors						
Zhang Aimin	—	—	—	—	—	—
Lai Yui	—	—	—	—	—	—
Ng Shuk Ming	—	—	—	—	—	—
Other Director						
Tian Chuan ⁽ⁱ⁾	—	—	—	—	—	—

(i) Resigned from the Company's director since December 2019.

(ii) Appointed as the Company's director since December 2019.

(iii) Appointed as the Company's independent non-executive directors since June 2020.

No remuneration has been paid to the Directors during the Track Record Period. The Directors have positions in the Company's shareholders who borne all of their remuneration and did not recharge any amount to the Group. No directors waived any emolument during each of the three years ended 31 December 2019 and the six months ended 30 June 2020. No remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of each of the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020.

(e) Directors' retirement benefits and termination benefits

None of the directors received or receive any retirement benefits or termination benefits during the Track Record Period.

(f) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

- (g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2017, 2018 and 2019 and 30 June 2020, there are no loans, quasi-loans and other dealings arrangement in favour of directors, controlled bodies corporate by and controlled entities with such directors.

- (h) Directors' material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business in which the Group's was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the Track Record Period.

14 Income tax expense

The income tax expense of the Group for the Track Record Period are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Current income tax	23,965,657	21,221,846	23,403,348	17,634,205	12,754,260
Deferred income tax	6,805,121	11,299,627	14,784,783	10,570,309	8,218,016
Income tax expense	<u>30,770,778</u>	<u>32,521,473</u>	<u>38,188,131</u>	<u>28,204,514</u>	<u>20,972,276</u>

APPENDIX I

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Profit before income tax	110,761,572	152,354,092	172,025,644	119,849,382	85,697,669
Tax calculated at PRC statutory income tax rate (25%)	27,690,393	38,088,523	43,006,411	29,962,346	21,424,417
Tax effects of:					
— Effect of different tax rates in other jurisdictions (a)	(117,833)	929,208	4,986,829	1,575,290	2,663,649
— Preferential income tax rates applicable to subsidiaries and branches (b)	(7,408,715)	(15,650,689)	(19,353,134)	(13,105,052)	(9,712,013)
— Expenses not deductible for tax purposes	32,908	4,975	14,009	5,920	31,030
— Withholding tax on profits made in China (c)	6,805,121	11,299,627	14,784,783	10,570,309	8,218,016
— Utilisation of previously unrecognised deductible temporary differences	—	(204,025)	—	—	—
— Tax losses for which no deferred income tax assets were recognised	7,434,271	1,076,357	659,982	1,499,857	887,605
— Super deduction for research and development (d)	(3,273,633)	(2,685,866)	(5,718,827)	(2,284,815)	(2,777,632)
— Income not subject to tax (e)	(324,963)	(254,350)	(281,808)	(138,614)	(131,417)
— Tax filing difference (f)	—	(765)	163,073	163,073	364,683
— Others	(66,771)	(81,522)	(73,187)	(43,800)	3,938
Income tax expense	30,770,778	32,521,473	38,188,131	28,204,514	20,972,276

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is not subject to income tax. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) PRC enterprise income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practises in respect thereof. The general corporate income tax rate in the PRC is 25%. Tangshan Tangsteel Gases Co., Ltd, a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2016, and was entitled to a preferential income tax rate of 15% in the years of 2016, 2017 and 2018. In 2019, Tangshan Tangsteel Gases Co., Ltd renewed this qualification and will continue to enjoy this preferential tax rate of 15% in the years of 2019, 2020 and 2021. Luanxian Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2018, and was entitled to a preferential income tax rate of 15% in the years of 2018, 2019 and 2020.

(c) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. The Company has recognised deferred tax liabilities for undistributed profits of its subsidiaries in the PRC (Note 31).

(d) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). According to regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2018 to 2020, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

(e) Income not subject to tax

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China, the Group's subsidiaries in Mainland China are entitled to deduct 10% of their revenue generated from supply of self-produced industrial hydrogen gas when determining their assessable profits during the Track Record Period.

(f) Tax filing differences

The Group's tax filing differences mainly represented tax adjustments of deductible expenditures under PRC tax jurisdiction, which mainly included business entertainment expenses and disabled employees benefits, and the differences were not material during the Track Record Period.

15 Earnings per share

- (a) Basic earnings per share for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Profit attributable to owners of the Company (RMB)	79,990,794	119,832,619	133,837,513	91,644,868	64,725,393
Weighted average number of ordinary shares in issue	101,329,956	101,329,956	101,748,690	101,329,956	105,575,450
Basic earnings per share (RMB per share)	0.79	1.18	1.32	0.90	0.61

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assumed conversion of all dilutive potential ordinary shares. Because the Company had no diluted instruments outstanding during the Track Record Period, diluted earnings per share for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were same as basic earnings per share of respective years.
- (c) The earnings per share presented above have not taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 17 June 2020 because the proposed capitalisation issue has not become effective as at date of this report.

16 Dividends

On 8 August 2018, the Company declared a dividend of RMB 29,800,000 to its shareholders, and RMB 14,900,000 of which was paid in cash.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Dividends payable at beginning of the year/period	—	—	14,900,000	14,900,000	14,900,000
Declaration of dividends during the year/period	—	29,800,000	—	—	—
Dividends paid during the year/period	—	(14,900,000)	—	—	—
Dividends payable at end of the year/period	—	14,900,000	14,900,000	14,900,000	14,900,000

17 Right-of-use assets

	Land use rights	Leased properties	Total
			RMB
At 1 January 2017			
Cost	984,100	81,324,560	82,308,660
Accumulated amortisation	(41,004)	(24,484,084)	(24,525,088)
Net book amount	<u>943,096</u>	<u>56,840,476</u>	<u>57,783,572</u>
Year ended 31 December 2017			
Opening net book amount	943,096	56,840,476	57,783,572
Additions	—	—	—
Amortisation charge	(20,502)	(3,769,175)	(3,789,677)
Closing net book amount	<u>922,594</u>	<u>53,071,301</u>	<u>53,993,895</u>
At 31 December 2017			
Cost	984,100	81,324,560	82,308,660
Accumulated amortisation	(61,506)	(28,253,259)	(28,314,765)
Net book amount	<u>922,594</u>	<u>53,071,301</u>	<u>53,993,895</u>

APPENDIX I
ACCOUNTANT'S REPORT

	Land use rights	Leased properties	Total
			RMB
Year ended 31 December 2018			
Opening net book amount	922,594	53,071,301	53,993,895
Additions	38,560	967,069	1,005,629
Cancellation of Building Use Agreement (Note 33)	—	(44,041,922)	(44,041,922)
Amortisation charge	(22,726)	(3,867,760)	(3,890,486)
Closing net book amount	938,428	6,128,688	7,067,116
At 31 December 2018			
Cost	1,022,660	9,912,720	10,935,380
Accumulated amortisation	(84,232)	(3,784,032)	(3,868,264)
Net book amount	938,428	6,128,688	7,067,116
Year ended 31 December 2019			
Opening net book amount	938,428	6,128,688	7,067,116
Additions	17,976,137	8,112,798	26,088,935
Amortisation charge	(322,328)	(3,762,578)	(4,084,906)
Closing net book amount	18,592,237	10,478,908	29,071,145
At 31 December 2019			
Cost	18,998,797	16,137,173	35,135,970
Accumulated amortisation	(406,560)	(5,658,265)	(6,064,825)
Net book amount	18,592,237	10,478,908	29,071,145
Six months ended 30 June 2020			
Opening net book amount	18,592,237	10,478,908	29,071,145
Additions	—	—	—
Amortisation charge	(190,440)	(1,828,835)	(2,019,275)
Closing net book amount	18,401,797	8,650,073	27,051,870
At 30 June 2020			
Cost	18,998,797	16,137,173	35,135,970
Accumulated amortisation	(597,000)	(7,487,100)	(8,084,100)
Net book amount	18,401,797	8,650,073	27,051,870

APPENDIX I

ACCOUNTANT'S REPORT

	<u>Land use rights</u>	<u>Leased properties</u>	<u>Total</u>
			RMB
(Unaudited)			
Six months ended 30 June 2019			
Opening net book amount	938,428	6,128,688	7,067,116
Additions	17,976,137	8,112,798	26,088,935
Amortisation charge	<u>(130,520)</u>	<u>(1,933,743)</u>	<u>(2,064,263)</u>
Closing net book amount	<u>18,784,045</u>	<u>12,307,743</u>	<u>31,091,788</u>
At 30 June 2019			
Cost	18,998,797	16,137,173	35,135,970
Accumulated amortisation	<u>(214,752)</u>	<u>(3,829,430)</u>	<u>(4,044,182)</u>
Net book amount	<u>18,784,045</u>	<u>12,307,743</u>	<u>31,091,788</u>

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Amortisation of right-of-use assets	3,789,677	3,890,486	4,084,906	2,064,263	2,019,275
Interest expenses	400,773	353,148	964,996	354,452	717,722
The cash outflow relating to short-term leases	38,000	38,000	38,000	19,000	19,000
The cash outflow for leases as operating activities	415,836	341,037	51,302	51,302	42,740
The cash outflow for leases as financing activities	1,095,878	1,191,066	114,802	114,802	123,364

18 Property, plant and equipment

	Buildings		Leasehold improvements		Machinery		Electronic equipment		Instruments and other equipment		Vehicles		Construction in progress		Total	
	RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB	
At 31 December 2016																
Cost	68,540,580		53,932,514		1,566,050,571		2,614,965		53,419,322		17,953,547		1,347,759		1,763,859,258	
Accumulated depreciation	(2,750,774)		(25,772,482)		(512,619,132)		(2,312,124)		(28,728,672)		(9,671,223)		—		(581,854,407)	
Net book amount	<u>65,789,806</u>		<u>28,160,032</u>		<u>1,053,431,439</u>		<u>302,841</u>		<u>24,690,650</u>		<u>8,282,324</u>		<u>1,347,759</u>		<u>1,182,004,851</u>	
Year ended 31 December 2017																
Opening net book amount	65,789,806		28,160,032		1,053,431,439		302,841		24,690,650		8,282,324		1,347,759		1,182,004,851	
Additions	—		—		23,243		—		—		—		23,821,840		23,845,083	
Internal transfer	—		—		12,955,630		—		—		—		(12,955,630)		—	
Depreciation charge	(2,273,209)		(2,103,320)		(76,238,775)		(159,310)		(4,559,871)		(1,568,102)		—		(86,902,587)	
Closing net book amount	<u>63,516,597</u>		<u>26,056,712</u>		<u>990,171,537</u>		<u>143,531</u>		<u>20,130,779</u>		<u>6,714,222</u>		<u>12,213,969</u>		<u>1,118,947,347</u>	
At 31 December 2017																
Cost	68,540,580		53,932,514		1,579,029,444		2,614,965		53,419,322		17,953,547		12,213,969		1,787,704,341	
Accumulated depreciation	(5,023,983)		(27,875,802)		(588,857,907)		(2,471,434)		(33,288,543)		(11,239,325)		—		(668,756,994)	
Net book amount	<u>63,516,597</u>		<u>26,056,712</u>		<u>990,171,537</u>		<u>143,531</u>		<u>20,130,779</u>		<u>6,714,222</u>		<u>12,213,969</u>		<u>1,118,947,347</u>	

	Buildings		Leasehold improvements		Machinery		Electronic equipment		Instruments and other equipment		Vehicles		Construction in progress		Total	
	RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB	
At 31 December 2017																
Cost	68,540,580		53,932,514		1,579,029,444		2,614,965		53,419,322		17,953,547		12,213,969		1,787,704,341	
Accumulated depreciation	(5,023,983)		(27,875,802)		(588,857,907)		(2,471,434)		(33,288,543)		(11,239,325)		—		(668,756,994)	
Net book amount	63,516,597		26,056,712		990,171,537		143,531		20,130,779		6,714,222		12,213,969		1,118,947,347	
Year ended 31 December 2018																
Opening net book amount	63,516,597		26,056,712		990,171,537		143,531		20,130,779		6,714,222		12,213,969		1,118,947,347	
Additions	16,635,763		135,829		139,568,972		25,862		1,165,384		—		12,642,545		170,174,355	
Internal transfer	—		—		10,100,598		—		1,327,945		—		(11,428,543)		—	
Disposals	—		—		(589,792)		—		—		(24,228)		—		(614,020)	
Depreciation charge	(2,362,858)		(2,239,151)		(78,980,350)		(84,072)		(3,464,687)		(1,290,332)		—		(88,421,450)	
Closing net book amount	77,789,502		23,953,390		1,060,270,965		85,321		19,159,421		5,399,662		13,427,971		1,200,086,232	
At 31 December 2018																
Cost	85,176,343		54,068,343		1,727,954,014		2,640,827		55,912,651		17,711,271		13,427,971		1,956,891,420	
Accumulated depreciation	(7,386,841)		(30,114,953)		(667,683,049)		(2,555,506)		(36,753,230)		(12,311,609)		—		(756,805,188)	
Net book amount	77,789,502		23,953,390		1,060,270,965		85,321		19,159,421		5,399,662		13,427,971		1,200,086,232	

	Buildings		Leasehold improvements		Machinery		Electronic equipment		Instruments and other equipment		Vehicles		Construction in progress		Total	
	RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB	
At 1 January 2019																
Cost	85,176,343		54,068,343		1,727,954,014		2,640,827		55,912,651		17,711,271		13,427,971		1,956,891,420	
Accumulated depreciation	(7,386,841)		(30,114,953)		(667,683,049)		(2,555,506)		(36,753,230)		(12,311,609)		—		(756,805,188)	
Net book amount	<u>77,789,502</u>		<u>23,953,390</u>		<u>1,060,270,965</u>		<u>85,321</u>		<u>19,159,421</u>		<u>5,399,662</u>		<u>13,427,971</u>		<u>1,200,086,232</u>	
Year ended 31 December 2019																
Opening net book amount	77,789,502		23,953,390		1,060,270,965		85,321		19,159,421		5,399,662		13,427,971		1,200,086,232	
Additions	—		—		533,101		—		6,466,938		2,155,922		194,152,587		203,308,548	
Transfer from prepayments for construction in progress and equipment(Note 20)	—		—		—		—		—		—		84,774,912		84,774,912	
Internal transfer	—		—		3,942,260		—		—		—		(3,942,260)		—	
Disposals	—		—		—		—		—		(410,542)		—		(410,542)	
Depreciation charge	(2,811,099)		(2,103,320)		(84,985,625)		(27,385)		(3,617,550)		(1,305,578)		—		(94,850,557)	
Closing net book amount	<u>74,978,403</u>		<u>21,850,070</u>		<u>979,760,701</u>		<u>57,936</u>		<u>22,008,809</u>		<u>5,839,464</u>		<u>288,413,210</u>		<u>1,392,908,593</u>	
At 31 December 2019																
Cost	85,176,343		54,068,343		1,732,429,375		2,640,827		62,379,589		15,761,777		288,413,210		2,240,869,464	
Accumulated depreciation	(10,197,940)		(32,218,273)		(752,668,674)		(2,582,891)		(40,370,780)		(9,922,313)		—		(847,960,871)	
Net book amount	<u>74,978,403</u>		<u>21,850,070</u>		<u>979,760,701</u>		<u>57,936</u>		<u>22,008,809</u>		<u>5,839,464</u>		<u>288,413,210</u>		<u>1,392,908,593</u>	

	Buildings	Leasehold improvements		Machinery	Electronic equipment		Instruments and other equipment	Vehicles		Construction in progress		Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2020												
Cost	85,176,343	54,068,343	1,732,429,375	2,640,827	62,379,589	15,761,777	288,413,210	2,240,869,464				
Accumulated depreciation	(10,197,940)	(32,218,273)	(752,668,674)	(2,582,891)	(40,370,780)	(9,922,313)	—	(847,960,871)				
Net book amount	74,978,403	21,850,070	979,760,701	57,936	22,008,809	5,839,464	288,413,210	1,392,908,593				
Six months ended 30 June 2020												
Opening net book amount	74,978,403	21,850,070	979,760,701	57,936	22,008,809	5,839,464	288,413,210	1,392,908,593				
Additions	—	—	—	—	227,763	—	64,876,651	65,104,414				
Transfer from prepayments for construction in progress and equipment (Note 20)	—	—	—	—	—	—	1,782,027	1,782,027				
Disposals	—	—	—	—	—	(145,942)	—	(145,942)				
Depreciation charge	(1,405,550)	(1,051,660)	(42,528,342)	(13,026)	(2,634,829)	(647,450)	—	(48,280,857)				
Closing net book amount	73,572,853	20,798,410	937,232,359	44,910	19,601,743	5,046,072	355,071,888	1,411,368,235				
At 30 June 2020												
Cost	85,176,343	54,068,343	1,732,429,375	2,640,827	62,607,352	14,962,095	355,071,888	2,306,956,223				
Accumulated depreciation	(11,603,490)	(33,269,933)	(795,197,016)	(2,595,917)	(43,005,609)	(9,916,023)	—	(895,587,988)				
Net book amount	73,572,853	20,798,410	937,232,359	44,910	19,601,743	5,046,072	355,071,888	1,411,368,235				

	Buildings		Leasehold improvements		Machinery		Electronic equipment		Instruments and other equipment		Vehicles		Construction in progress		Total	
	RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB	
(Unaudited)																
At 1 January 2019																
Cost	85,176,343		54,068,343		1,727,954,014		2,640,827		55,912,651		17,711,271		13,427,971		1,956,891,420	
Accumulated depreciation	(7,386,841)		(30,114,953)		(667,683,049)		(2,555,506)		(36,753,230)		(12,311,609)		—		(756,805,188)	
Net book amount	<u>77,789,502</u>		<u>23,953,390</u>		<u>1,060,270,965</u>		<u>85,321</u>		<u>19,159,421</u>		<u>5,399,662</u>		<u>13,427,971</u>		<u>1,200,086,232</u>	
Six months ended 30 June 2019																
Opening net book amount	77,789,502		23,953,390		1,060,270,965		85,321		19,159,421		5,399,662		13,427,971		1,200,086,232	
Additions	—		—		—		—		—		2,155,920		132,772,338		134,928,258	
Transfer from prepayments for construction in progress and equipment (Note 20)	—		—		—		—		—		—		84,774,912		84,774,912	
Depreciation charge	(1,405,550)		(1,051,660)		(42,487,425)		(13,826)		(1,584,045)		(624,723)		—		(47,167,229)	
Closing net book amount	<u>76,383,952</u>		<u>22,901,730</u>		<u>1,017,783,540</u>		<u>71,495</u>		<u>17,575,376</u>		<u>6,930,859</u>		<u>230,975,221</u>		<u>1,372,622,173</u>	
At 30 June 2019																
Cost	85,176,343		54,068,343		1,727,954,014		2,640,827		55,912,651		19,867,191		230,975,221		2,176,594,590	
Accumulated depreciation	(8,792,391)		(31,166,613)		(710,170,474)		(2,569,332)		(38,337,275)		(12,936,332)		—		(803,972,417)	
Net book amount	<u>76,383,952</u>		<u>22,901,730</u>		<u>1,017,783,540</u>		<u>71,495</u>		<u>17,575,376</u>		<u>6,930,859</u>		<u>230,975,221</u>		<u>1,372,622,173</u>	

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Cost of sales	85,085,548	82,842,227	85,502,078	43,121,365	44,147,728
Administrative expenses	307,972	243,185	165,440	89,828	72,194
Research and development expenses	1,509,067	5,336,038	9,183,039	3,956,036	4,060,935
	<u>86,902,587</u>	<u>88,421,450</u>	<u>94,850,557</u>	<u>47,167,229</u>	<u>48,280,857</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2019 and 2020, the Group is still in the process of applying for the building ownership certificates of certain of its buildings, and the aggregated carrying amounts of these buildings amounted to approximately RMB 63,516,597, RMB 77,789,502, RMB 74,978,403, RMB76,383,952 and RMB 73,572,853 respectively. The Group is in the process of obtaining land use rights for the land at Luanxian Tangsteel Gases Co., Ltd and part of the land at Yutian Branch of Tangshan Tangsteel Gases Co., Ltd.

19 Intangible assets

	Computer software
	RMB
Year ended 31 December 2019	
Opening net book amount	—
Additions	1,837,718
Amortisation charge (Note 12)	(343,224)
Closing net book amount	1,494,494
At 31 December 2019	
Cost	1,837,718
Accumulated amortisation	(343,224)
Net book amount	1,494,494
Six months ended 30 June 2020	
Opening net book amount	1,494,494
Additions	—
Amortisation charge (Note 12)	(306,287)
Closing net book amount	1,188,207
At 30 June 2020	
Cost	1,837,718
Accumulated amortisation	(649,511)
Net book amount	1,188,207
(Unaudited)	
Six months ended 30 June 2019	
Opening net book amount	—
Additions	740,600
Amortisation charge (Note 12)	(61,717)
Closing net book amount	678,883
At 30 June 2019	
Cost	740,600
Accumulated amortisation	(61,717)
Net book amount	678,883

The Group had no intangible asset as at 31 December 2017 and 2018.

Amortisation expenses with the amount of RMB 343,224, RMB61,717, RMB 306,287 have been charged to administrative expenses in the consolidated statements of comprehensive income in the year ended 31 December 2019 and the six months ended 30 June 2019 and 2020 respectively.

20 Other assets

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Prepayments for construction in progress and equipment (Note 18)	—	95,795,650	2,513,191	13,384,866
Prepayments for land use rights (a)	—	—	11,613,770	24,748,341
Others	—	1,710,304	—	1,021,009
	<u>—</u>	<u>97,505,954</u>	<u>14,126,961</u>	<u>39,154,216</u>

- (a) The Group made prepayments before obtaining the land use right certificate to acquire land use rights from local government with the amount of RMB 24.7 million as at 30 June 2020.

21 Inventories

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Finished goods	3,671,723	3,807,445	7,649,786	5,637,097
Spare parts	3,546,018	3,026,978	3,466,100	3,466,694
Less: provisions	—	—	—	—
	<u>7,217,741</u>	<u>6,834,423</u>	<u>11,115,886</u>	<u>9,103,791</u>

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realizable value, and was recorded in “cost of revenues” in the consolidated statements of comprehensive income. No provision for impairment expense of inventories was recorded for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

22 Trade receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Trade receivables	104,695,664	232,259,239	277,809,582	240,135,338
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables — net	<u>104,695,664</u>	<u>232,259,239</u>	<u>277,809,582</u>	<u>240,135,338</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, fair values of the trade receivables of the Group approximated their carrying amounts.

(a) Ageing analysis of trade receivables based on the invoice date is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Up to 6 months	102,958,424	228,696,177	254,735,103	214,693,354
6 months to 1 year	1,174,577	3,495,562	16,700,926	24,942,859
1 to 2 years	392,610	67,500	6,373,553	499,125
Over 2 years	170,053	—	—	—
	<u>104,695,664</u>	<u>232,259,239</u>	<u>277,809,582</u>	<u>240,135,338</u>

The Group's trade receivables are generally collectible within 180 days from the invoice date. No interest is charged on the trade receivables. The overdue balances were due from certain frequent customers and management considers that these receivables are recoverable with no significant credit losses.

- (b) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amount of the Group's gross trade receivables are denominated in RMB.
- (c) The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the expected credit loss was minimal as these receivables were mainly due from the HBIS Group Co., Ltd. and its subsidiaries and their respective associates.

HBIS Group Co., Ltd is a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission (“SASAC”) of Hebei Provincial People’s Government and one of the Company’s controlling shareholders, with whom the Company has strong business relationship. Customers other than the HBIS Group are also subject to the Group’s stringent admission criteria and risk management measures. These receivables had limited history of default, certain amount of receivables were subsequently settled, and there was no significant unfavourable current conditions and forecast future economic conditions identified as at 31 December 2017, 2018 and 2019. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at 30 June 2020, and determined that the expected credit loss retained to be minimal as at 30 June 2020.

23 Prepayments, deposits and other receivables

Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Value-added tax (“VAT”) recoverable	31,310,736	34,589,373	62,645,366	67,483,615
Receivables due from a related party (Note 36(c)(ii))	16,342,288	34,924,164	63,444,073	—
Utilities and other prepayments	5,585,051	3,091,301	1,222,588	1,804,060
Deferred listing expenses	—	680,976	6,327,647	9,101,497
Prepaid income tax	1,082,500	—	—	—
Deposits	400,000	400,000	400,000	2,497,691
Others	99,232	920,380	865,057	696,540
	<u>54,819,807</u>	<u>74,606,194</u>	<u>134,904,731</u>	<u>81,583,403</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates. Other receivables that are measured at amortised costs included receivables due from a related party, deposits and others were considered to be of low credit risk, and thus the impairment provision recognised during the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 was limited to 12 months expected losses. The expected credit losses was minimal as these receivables were mainly due from a related party within the HBIS Group, these receivables also had no history of default, certain amount of receivables were subsequently settled, and there was no significant unfavourable current conditions and forecast future economic conditions identified as at 31 December 2017, 2018 and 2019. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at 30 June 2020, and determined that the expected credit loss retained to be minimal as at 30 June 2020.

Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Dividends and other receivables due from domestic subsidiaries	31,801,248	2,000,000	—	—
Deferred listing expenses	—	680,976	6,327,647	9,101,497
	<u>31,801,248</u>	<u>2,680,976</u>	<u>6,327,647</u>	<u>9,101,497</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates. The balances were considered to be of low credit risk, and thus the impairment provision recognised during the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 was limited to 12 months expected losses.

24 Cash and cash equivalents and restricted cash**Group**

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Cash and bank balances	121,403,619	206,821,068	139,790,684	359,002,732
Less: restricted cash (i)	(186)	(196)	(196)	(196)
Cash and cash equivalents	<u>121,403,433</u>	<u>206,820,872</u>	<u>139,790,488</u>	<u>359,002,536</u>

Denominated in:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
RMB	119,639,194	202,835,099	84,411,081	314,605,653
USD	<u>1,764,239</u>	<u>3,985,773</u>	<u>55,379,407</u>	<u>44,396,883</u>
	<u>121,403,433</u>	<u>206,820,872</u>	<u>139,790,488</u>	<u>359,002,536</u>

- (i) As of 31 December 2017, 2018 and 2019 and 30 June 2020, RMB 186, RMB 196, RMB 196 and RMB 196 restricted deposits were held at bank as guarantee for the Company's issuance of bank acceptance notes.

Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Cash and cash equivalents	—	14,924,973	68,263,914	123,725,674

Denominated in:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
RMB	—	14,924,973	16,970,457	83,415,779
USD	—	—	51,293,457	40,309,895
	—	14,924,973	68,263,914	123,725,674

25 Financial instruments by category

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Financial assets at amortised costs:				
- Trade receivables	104,695,664	232,259,239	277,809,582	240,135,338
- Prepayments, deposits and other receivables (excluding recoverable VAT and prepaid utilities and other prepayments)	16,841,520	36,244,544	64,709,130	3,194,231
- Restricted cash	186	196	196	196
- Cash and cash equivalents	121,403,433	206,820,872	139,790,488	359,002,536
Financial assets at fair value through other comprehensive income:				
-Notes receivables	111,967,109	107,296,969	51,316,794	63,181,008
Financial assets at fair value through profit or loss:				
-Bank wealth management products	—	4,500,000	—	—
	354,907,912	587,121,820	533,626,190	665,513,309

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Financial liabilities at amortised costs:				
- Borrowings	250,000,000	388,000,000	368,000,000	548,000,000
- Trade and other payables (excluding salaries and bonus payables and tax payables)	157,341,932	401,174,032	316,300,229	248,109,883
- Lease liabilities-current	1,410,465	1,294,389	7,408,441	7,805,150
- Lease liabilities-non-current	5,533,753	5,221,836	7,596,445	7,751,354
	<u>414,286,150</u>	<u>795,690,257</u>	<u>699,305,115</u>	<u>811,666,387</u>

26 Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income (FVOCI) comprise the following investments in notes receivables:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Notes receivables	<u>111,967,109</u>	<u>107,296,969</u>	<u>51,316,794</u>	<u>63,181,008</u>

These assets are classified as current assets due to their short maturity.

On disposal of these financial assets, any related balance within the FVOCI reserve is reclassified to profit or loss.

27 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Bank wealth management products	<u>—</u>	<u>4,500,000</u>	<u>—</u>	<u>—</u>

The financial assets at fair value through profit or loss represent investment in wealth management products issued by banks in the PRC. The returns on these bank wealth management products are not guaranteed, and therefore the Group classified them as financial assets at fair value through profit or loss. As at 31 December 2018, the carrying amount of bank wealth management products approximates their fair value. The fair values are based on cash flow discounted using the expected return based on management judgment and estimates and are within level 3 of fair value hierarchy.

28 Trade and other payables

Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Trade payables	133,533,875	279,446,485	245,822,293	135,788,080
Payables for construction and equipment	16,210,726	95,033,000	27,387,966	65,891,613
Dividend payable	—	14,900,000	14,900,000	14,900,000
Payables for operating service fee	—	—	8,709,000	10,251,000
Taxes payable	5,291,558	334,128	1,658,375	5,208,342
Salaries and bonus payable	2,556,701	2,995,844	2,186,279	2,237,167
Payables for professional service fee	3,284,560	6,389,485	14,635,666	16,052,897
Deposits	1,646,817	1,919,917	1,627,917	1,657,917
Interests payable	522,855	847,163	852,487	947,819
Others	2,143,099	2,637,982	2,364,900	2,620,557
	<u>165,190,191</u>	<u>404,504,004</u>	<u>320,144,883</u>	<u>255,555,392</u>

Ageing analysis of the trade payables based on invoice date at the respective balances sheet dates are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Less than 1 year	97,603,632	214,697,889	146,349,523	111,197,463
1 to 2 years	35,231,953	29,424,022	35,185,793	22,862,119
2 to 3 years	148,893	34,826,860	28,982,485	468,541
Over 3 years	549,397	497,714	35,304,492	1,259,957
	<u>133,533,875</u>	<u>279,446,485</u>	<u>245,822,293</u>	<u>135,788,080</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amount of the Group's trade payables were denominated in RMB.

Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Dividend payable	—	14,900,000	14,900,000	14,900,000
Payables for professional service fee	—	2,815,027	12,765,666	14,182,898
	—	17,715,027	27,665,666	29,082,898

29 Borrowings

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Non-current:				
Long-term borrowings due after one year	—	150,000,000	110,000,000	278,000,000
Current:				
Long-term borrowings due within one year	—	40,000,000	60,000,000	72,000,000
Short-term borrowings	250,000,000	198,000,000	198,000,000	198,000,000
	250,000,000	238,000,000	258,000,000	270,000,000

In July 2015, the Group entered into a three-year revolving loan facility with an aggregate principal amount not exceeding RMB200,000,000 from Zunhua Rural Credit Cooperatives Association. As at 31 December 2017, short-term borrowings of RMB150,000,000 with a fixed interest rate of 4.79% per annum was drawn down from such revolving loan facility.

In January 2017, the Group entered into a one-year revolving loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Communications. As at 31 December 2017, short-term bank borrowings of RMB 40,000,000 with a fixed interest rate of 4.79% per annum and of RMB 60,000,000 with floating interest rate based on the Loan Prime Rate (“LPR”) were drawn down from such revolving loan facility.

In January 2018, the Group entered into a one-year revolving loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Communications. As at 31 December 2018, short-term bank borrowings of RMB100,000,000 with floating rate based on the LPR was drawn down from such revolving loan facility.

In August 2018, the Group entered into a one-year revolving loan facility with an aggregate principal amount not exceeding RMB98,000,000 from Industrial and Commercial Bank of China. As at 31 December 2018, short-term bank borrowings of RMB98,000,000 with floating rate based on the LPR was drawn down from such revolving loan facility.

In October 2018, the Group entered into a three-year loan facility with an aggregate principal amount not exceeding RMB200,000,000 from Zunhua Rural Credit Cooperatives Association. In December 2018, a three-year loan of RMB190,000,000 with an annual interest rate of 5.23% was drawn down from the facility. As at 31 December 2018, 2019 and 30 June 2020, the principal amount of RMB190,000,000, RMB 170,000,000 and RMB150,000,000 was outstanding, among which RMB 40,000,000, RMB 60,000,000 and RMB 60,000,000 was due within one year respectively.

In January 2019, the Group entered into a two-year revolving loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Communications. In June 2020, the loan facility has been extended to December 2022. As at 31 December 2019 and 30 June 2020, short-term bank borrowings of RMB80,000,000 with floating rate based on the LPR along with RMB20,000,000 with a fixed rate of 4.785%, and short-term bank borrowings of RMB40,000,000 with floating rate based on the LPR along with RMB60,000,000 with a fixed rate of 4.785% per annum were drawn down from such revolving loan facility respectively.

In June 2019, the Group entered into an interest-free loan agreement with CGI, one of its shareholders, with the principal amount of USD9,650,000 (RMB 66,340,855), which shall be repaid upon the shareholder's request. In November 2019, CGI capitalised such shareholder loan into 4,245,494 shares of the Company.

In December 2019, the Group entered into a one-year revolving loan facility with an aggregate principal amount not exceeding RMB98,000,000 from Industrial and Commercial Bank of China. As at 31 December 2019 and 30 June 2020, short-term bank borrowings of RMB98,000,000 with floating rate based on the LPR was drawn down from such revolving loan facility.

In December 2019, the Group entered into a three-year loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Cangzhou. As at 31 December 2019, no borrowing was from such loan facility. In March 2020, a three-year loan of RMB100,000,000 with an annual interest rate of 5.13% was drawn down from the facility. As at 30 June 2020, the principal amount of RMB100,000,000 was outstanding, among which RMB2,000,000 was due within one year.

In December 2019, the Group entered into a five-year loan facility with an aggregate principal amount not exceeding RMB560,000,000 from Bank of Communication. Borrowings drawn down from the loan facility are collateralized by the fixed assets of Zhongqi Investment (Tangshan) Gases Co., Ltd, a subsidiary of the Group, and shall be used in the construction of the industrial gas production plant of Zhongqi Investment (Tangshan) Gases Co., Ltd. As at 31 December 2019 and 30 June 2020, no borrowing was from such loan facility respectively.

In April 2020, the Group entered into a three-year loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Cangzhou. In June 2020, a three-year loan of RMB100,000,000 with an annual interest rate of 5.13% was drawn down from the facility. As at 30 June 2020, the principal amount of RMB100,000,000 was outstanding, among which RMB 10,000,000 was due within one year.

All of the Group's borrowings are unsecured and unguaranteed.

- (i) As of 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's borrowings were denominated in following currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
RMB	<u>250,000,000</u>	<u>388,000,000</u>	<u>368,000,000</u>	<u>548,000,000</u>

- (ii) The maturities of the Group's borrowings at respective reporting period end are set out as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Bank borrowings				
- within 1 year	250,000,000	238,000,000	258,000,000	270,000,000
- between 1 and 2 years	—	40,000,000	110,000,000	102,000,000
- between 2 and 3 years	—	110,000,000	—	176,000,000
	<u>250,000,000</u>	<u>388,000,000</u>	<u>368,000,000</u>	<u>548,000,000</u>

- (iii) The effective interest rates for each reporting period are as follows:

	Year ended 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Short-term bank borrowings	4.79%	4.76%	4.57%	4.52%
Long-term bank borrowings	—	5.23%	5.23%	5.20%

30 Lease liabilities

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Minimum lease payments due				
— Within 1 year	1,748,209	1,611,172	8,254,945	8,254,945
— Between 1 and 2 years	832,104	1,091,794	4,292,193	4,292,193
— Between 2 and 5 years	2,496,311	2,496,311	2,496,311	2,496,311
— Over 5 years	3,494,916	2,662,812	1,830,708	1,664,604
	<u>8,571,540</u>	<u>7,862,089</u>	<u>16,874,157</u>	<u>16,708,053</u>
Less: future finance charges	(1,627,322)	(1,345,864)	(1,869,271)	(1,151,549)
Present value of lease liabilities	<u>6,944,218</u>	<u>6,516,225</u>	<u>15,004,886</u>	<u>15,556,504</u>
Within 1 year	1,410,465	1,294,389	7,408,441	7,805,150
Between 1 and 2 years	559,583	838,102	3,832,736	4,064,011
Between 2 and 5 years	1,861,559	1,954,852	2,052,821	2,103,631
Over 5 years	<u>3,112,611</u>	<u>2,428,882</u>	<u>1,710,888</u>	<u>1,583,712</u>
	<u>6,944,218</u>	<u>6,516,225</u>	<u>15,004,886</u>	<u>15,556,504</u>

31 Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities of the Group is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Deferred tax assets:				
— Deferred tax assets to be recovered after 12 months	—	—	—	—
— Deferred tax assets to be recovered within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred tax liabilities:				
— Deferred tax liabilities to be settled after 12 months	(10,918,170)	(18,684,325)	(33,469,108)	(8,218,016)
— Deferred tax liabilities to be settled within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>(26,091,308)</u>
	<u>(10,918,170)</u>	<u>(18,684,325)</u>	<u>(33,469,108)</u>	<u>(34,309,324)</u>
Deferred tax liabilities, net	<u>(10,918,170)</u>	<u>(18,684,325)</u>	<u>(33,469,108)</u>	<u>(34,309,324)</u>

The Group has no deferred income tax assets as at 31 December 2017, 2018 and 2019, and 30 June 2020.

Deferred income tax assets are recognised for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not recognise deferred income tax assets in respect of losses of RMB 59,400,452, RMB 62,889,780, RMB 66,251,120 and RMB 71,656,577, respectively. These tax losses will expire from 2021 to 2030.

The movement in deferred income tax liabilities are as follows:

	Withholding tax on profit to be distributed
	RMB
As at 1 January 2017	4,113,049
Debited to the consolidated statements of comprehensive income	<u>6,805,121</u>
As at 31 December 2017	<u>10,918,170</u>
As at 1 January 2018	10,918,170
Debited to the consolidated statements of comprehensive income	11,299,627
Payment during the year	<u>(3,533,472)</u>
As at 31 December 2018	<u>18,684,325</u>
As at 1 January 2019	18,684,325
Debited to the consolidated statements of comprehensive income	<u>14,784,783</u>
As at 31 December 2019	<u>33,469,108</u>
As at 1 January 2020	33,469,108
Debited to the consolidated statements of comprehensive income	8,218,016
Payment during the year	<u>(7,377,800)</u>
As at 30 June 2020	<u>34,309,324</u>

32 Share capital

The Company was incorporated in the Cayman Islands on 4 August 2006. At the date of incorporation, the authorised share capital is USD50,000 divided into 50,000 shares of USD 1.00 each. On 26 September 2006, every share of USD 1.00 was subdivided into 10,000 shares of USD 0.0001 each. On 25 November 2019, the Company allotted 4,245,494 shares to China Gas Investor Limited. As at 31 December 2017, 2018, 2019 and 30 June 2020 the Company had 101,329,956, 101,329,956, 105,575,450 and 105,575,450 issued and outstanding shares respectively.

	Number of ordinary share issued	Equivalent nominal value of ordinary shares in RMB
At 1 January 2017 to 31 December 2018	101,329,956	73,309
Capitalisation of shareholder loan	<u>4,245,494</u>	<u>2,989</u>
At 31 December 2019 to 30 June 2020	<u><u>105,575,450</u></u>	<u><u>76,298</u></u>

33 Other reserves

Group

	Share premium	Statutory Surplus Reserve	Currency translation differences	Others (b)	Total
As at 1 January 2017	769,863,510	74,371,230	7,811,246	144,137,200	996,183,186
Appropriation to statutory surplus reserves (a)	—	10,831,717	—	—	10,831,717
Currency translation difference	—	—	(471,330)	—	(471,330)
As at 31 December 2017	<u>769,863,510</u>	<u>85,202,947</u>	<u>7,339,916</u>	<u>144,137,200</u>	<u>1,006,543,573</u>
As at 1 January 2018	769,863,510	85,202,947	7,339,916	144,137,200	1,006,543,573
Appropriation to statutory surplus reserves (a)	—	13,564,178	—	—	13,564,178
Cancellation of shareholders' contribution (b)	—	—	—	(110,708,947)	(110,708,947)
Currency translation difference	—	—	1,606,505	—	1,606,505
As at 31 December 2018	<u>769,863,510</u>	<u>98,767,125</u>	<u>8,946,421</u>	<u>33,428,253</u>	<u>911,005,309</u>
As at 1 January 2019	769,863,510	98,767,125	8,946,421	33,428,253	911,005,309
Appropriation to statutory surplus reserves (a)	—	15,552,854	—	—	15,552,854
Capitalisation of shareholder loan (c)	67,930,117	—	—	—	67,930,117
Currency translation difference	—	—	(950,815)	—	(950,815)
As at 31 December 2019	<u>837,793,627</u>	<u>114,319,979</u>	<u>7,995,606</u>	<u>33,428,253</u>	<u>993,537,465</u>
As at 1 January 2020	837,793,627	114,319,979	7,995,606	33,428,253	993,537,465
Currency translation difference	—	—	1,072,772	—	1,072,772
As at 30 June 2020	<u>837,793,627</u>	<u>114,319,979</u>	<u>9,068,378</u>	<u>33,428,253</u>	<u>994,610,237</u>
(Unaudited)					
As at 1 January 2019	769,863,510	98,767,125	8,946,421	33,428,253	911,005,309
Currency translation difference	—	—	(88,909)	—	(88,909)
As at 30 June 2019	<u>769,863,510</u>	<u>98,767,125</u>	<u>8,857,512</u>	<u>33,428,253</u>	<u>910,916,400</u>

(a) Appropriation to statutory surplus reserves

In accordance with the Company Law of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made.

With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(b) Others

Tangshan Tangsteel Gases Co., Ltd. ("TTG"), the major operating company of the Group, was established in 2007 as a joint venture company owned as to 50% by the Company and 50% by HBIS Company Limited ("HBIS Company"). In 2015, pursuant to a series of corporate restructuring agreements, HBIS Company transferred its 50% equity interests in TTG to the Company in exchange for 50% of the Company's issued shares which were held by SH Huitang Zhihe, a wholly owned subsidiary of HBIS Company. Following this corporate restructuring, TTG became a wholly owned subsidiary of the Company and the Company became owned as to 50% by SH Huitang Zhihe and 50% by CGI.

Upon establishment of TTG in 2007, each of the Company and the HBIS Company agreed to make additional capital contributions into TTG in the same proportion with the amount of RMB 72,068,600, respectively. With respect to HBIS Company's contribution, HBIS Company entered into an agreement with TTG to grant TTG the rights to use certain of HBIS Company's plants and buildings ("Building Use Agreement") for a period of 30 years, same as official joint venture period of 30 years of TTG. The Building Use Agreement also specified that the plants and buildings should be transferred to TTG as HBIS Company's capital contribution when the property certificates are obtained. Based on a valuation report issued by a third party appraiser, both parties agreed that the value of such use rights as at the agreement date was RMB 72,068,600. TTG recorded this amount as right of use assets in its balance sheet, and amortized them on a straight-line basis over the 30-year period, and correspondingly credited "other reserves" under equity since the use rights were considered as HBIS Company's capital contribution to TTG.

With respect to the Company, the Company made cash contribution and entered into an interest free long-term loan arrangement with TTG in 2007, with a total principal amount of RMB 72,068,600. The term of the loan was 30 years and shall be automatically converted into TTG's paid-in capital upon the transfer of HBIS Company's plants and buildings to TTG as described above. In the Group's corporate restructuring in 2015, the Company transferred its right on the loan to CGI at nil consideration. Based on the contractual terms and the commitment made by CGI, management concluded that the loan did not meet the definition of financial liability and recorded the amount in "other reserves" in equity in the consolidated balance sheets as at 31 December 2015.

In December 2018, the Group entered into agreement with CGI to early terminate the above loan agreement and both parties agreed that the loan would be fully settled with a cash repayment of USD 9.65 million (equivalent to RMB 66,667,025) by TTG to CGI. The repayment was recorded as a reduction in the balance of other reserves.

Concurrent with the early termination of the loan agreement between CGI and TTG, TTG and HBIS Company entered into an agreement to early terminate the above Building Use Agreement and entered into a new Assets Use Agreement whereby TTG will pay rental fees to HBIS Company for the use of the plants and buildings going forward. Accordingly, TTG wrote off the unamortised balance of the right of use assets with the amount of RMB 44,041,922 at the time of the termination, with the same amount being reduced from the balance of other reserves.

(c) Capitalisation of shareholder loan

In June 2019, the Group entered into an interest-free loan agreement with CGI, one of its shareholders, with the principal amount of USD9,650,000. In November 2019, CGI capitalised such shareholder loan into 4,245,494 shares of the Company, of which RMB 2,989 and RMB 67,930,117 were recorded as share capital and other reserves, respectively.

Company

	Share premium	Currency translation differences	Total
As at 1 January 2017	833,975,547	7,811,246	841,786,793
Currency translation difference	—	(471,330)	(471,330)
As at 31 December 2017	<u>833,975,547</u>	<u>7,339,916</u>	<u>841,315,463</u>
As at 1 January 2018	833,975,547	7,339,916	841,315,463
Currency translation difference	—	1,606,505	1,606,505
As at 31 December 2018	<u>833,975,547</u>	<u>8,946,421</u>	<u>842,921,968</u>
As at 1 January 2019	833,975,547	8,946,421	842,921,968
Capitalisation of shareholder loan	67,930,117	—	67,930,117
Currency translation difference	—	(950,815)	(950,815)
As at 31 December 2019	<u>901,905,664</u>	<u>7,995,606</u>	<u>909,901,270</u>
As at 1 January 2020	901,905,664	7,995,606	909,901,270
Currency translation difference	—	1,072,772	1,072,772
As at 30 June 2020	<u>901,905,664</u>	<u>9,068,378</u>	<u>910,974,042</u>
(Unaudited)			
As at 1 January 2019	833,975,547	8,946,421	842,921,968
Currency translation difference	—	(88,909)	(88,909)
As at 30 June 2019	<u>833,975,547</u>	<u>8,857,512</u>	<u>842,833,059</u>

34 Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
	(Unaudited)				
Profit before income tax	110,761,572	152,354,092	172,025,644	119,849,382	85,697,669
Adjustments for:					
- Depreciation of property, plant and equipment	86,902,587	88,421,450	94,850,557	47,167,229	48,280,857
- Amortisation of right-of-use assets	3,789,677	3,890,486	4,084,906	2,064,263	2,019,275
- Amortisation of intangible assets	—	—	343,224	61,717	306,287
- (Gains)/losses on disposal of property, plant and equipment	—	(133,231)	392,446	—	131,286
- Investment income of bank wealth management products	(275,617)	(2,003,165)	(345,312)	(343,186)	—
- Finance costs - net	11,765,149	12,617,611	19,592,363	9,842,202	10,628,222
Change in working capital:					
- (Increase)/decrease in trade receivables	(39,120,032)	(127,779,681)	(45,973,371)	7,677,723	37,674,244
- (Increase)/decrease in financial assets at fair value through other comprehensive income	(82,047,109)	4,670,140	55,980,175	19,246,080	(11,864,214)
- Decrease/(increase) in inventories	5,073,878	383,318	(4,281,463)	(2,411,467)	2,012,095
- Decrease/(increase) in prepayments, deposits and other receivables	9,910,254	(20,868,887)	(54,651,865)	(35,344,387)	56,095,178
- Decrease/(increase) in restricted cash	7,940,012	(10)	—	—	—
- (Decrease)/increase in trade and other payables	(12,451,852)	189,538,116	10,092,271	(18,608,034)	(94,305,188)
- (Decrease)/increase in contract liabilities	(7,155,027)	(305,780)	(3,379,058)	(3,852,186)	204,263
Cash generated from operations	95,093,492	300,784,459	248,730,517	145,349,336	136,879,974

(a) Net debt reconciliation

Set out below is an analysis of net debt and the movements in net debt for each of the years/periods presented.

	As at 31 December			As at 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
	(Unaudited)				
Cash and cash equivalents	121,403,433	206,820,872	139,790,488	157,599,075	359,002,536
Borrowings — repayable					
within one year	(250,000,000)	(238,000,000)	(258,000,000)	(324,340,855)	(270,000,000)
Borrowings — repayable after					
one year	—	(150,000,000)	(110,000,000)	(130,000,000)	(278,000,000)
Lease liabilities — due within					
one year	(1,410,465)	(1,294,389)	(7,408,441)	(5,415,066)	(7,805,150)
Lease liabilities — due after					
one year	(5,533,753)	(5,221,836)	(7,596,445)	(9,402,305)	(7,751,354)
Net debt	<u>(135,540,785)</u>	<u>(187,695,353)</u>	<u>(243,214,398)</u>	<u>(311,559,151)</u>	<u>(204,553,968)</u>
Cash and cash equivalents	121,403,433	206,820,872	139,790,488	157,599,075	359,002,536
Gross debt — fixed interest					
rates	(196,944,218)	(196,516,225)	(205,004,886)	(271,158,226)	(425,556,504)
Gross debt — variable interest					
rates	<u>(60,000,000)</u>	<u>(198,000,000)</u>	<u>(178,000,000)</u>	<u>(198,000,000)</u>	<u>(138,000,000)</u>
Net debt	<u>(135,540,785)</u>	<u>(187,695,353)</u>	<u>(243,214,398)</u>	<u>(311,559,151)</u>	<u>(204,553,968)</u>

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	RMB	RMB	RMB	RMB
Balance at 1 January 2017	39,670,007	(200,000,000)	(8,184,277)	(168,514,270)
Cash flows	81,758,695	(50,000,000)	1,511,714	33,270,409
Accrual interest for lease liabilities	—	—	(400,773)	(400,773)
Foreign exchange adjustments	(25,269)	—	—	(25,269)
Other non-cash movements	—	—	129,118	129,118
Balance at 31 December 2017	<u>121,403,433</u>	<u>(250,000,000)</u>	<u>(6,944,218)</u>	<u>(135,540,785)</u>
Balance at 1 January 2018	121,403,433	(250,000,000)	(6,944,218)	(135,540,785)
Cash flows	85,246,802	(138,000,000)	1,532,103	(51,221,095)
Increase of right-of-use assets	—	—	(967,069)	(967,069)
Accrual interest for lease liabilities	—	—	(353,148)	(353,148)
Foreign exchange adjustments	170,637	—	—	170,637
Other non-cash movements	—	—	216,107	216,107
Balance at 31 December 2018	<u>206,820,872</u>	<u>(388,000,000)</u>	<u>(6,516,225)</u>	<u>(187,695,353)</u>
Balance at 1 January 2019	206,820,872	(388,000,000)	(6,516,225)	(187,695,353)
Cash flows	(68,087,607)	(46,340,855)	166,104	(114,262,358)
Capitalisation of shareholder loan	—	66,340,855	—	66,340,855
Increase of right-of-use assets	—	—	(8,112,798)	(8,112,798)
Accrual interest for lease liabilities	—	—	(964,996)	(964,996)
Foreign exchange adjustments	1,057,223	—	—	1,057,223
Other non-cash movements	—	—	423,029	423,029
Balance at 31 December 2019	<u>139,790,488</u>	<u>(368,000,000)</u>	<u>(15,004,886)</u>	<u>(243,214,398)</u>
Balance at 1 January 2020	139,790,488	(368,000,000)	(15,004,886)	(243,214,398)
Cash flows	218,452,518	(180,000,000)	166,104	38,618,622
Accrual interest for lease liabilities	—	—	(717,722)	(717,722)
Foreign exchange adjustments	759,530	—	—	759,530
Balance at 30 June 2020	<u>359,002,536</u>	<u>(548,000,000)</u>	<u>(15,556,504)</u>	<u>(204,553,968)</u>
(Unaudited)				
Balance at 1 January 2019	206,820,872	(388,000,000)	(6,516,225)	(187,695,353)
Cash flows	(49,221,797)	(66,340,855)	166,104	(115,396,548)
Increase of right-of-use assets	—	—	(8,112,798)	(8,112,798)
Accrual interest for lease liabilities	—	—	(354,452)	(354,452)
Balance at 30 June 2019	<u>157,599,075</u>	<u>(454,340,855)</u>	<u>(14,817,371)</u>	<u>(311,559,151)</u>

35 Commitments

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Property, plant and equipment	<u>25,732,922</u>	<u>277,940,347</u>	<u>223,233,987</u>	<u>140,793,446</u>

36 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The following companies are related parties of the Group that had balances and/or transactions with the Group.

(a) Names and relationships with related parties

Name	Relationship
China Gas Investors Ltd. ("CGI")	Shareholder
Shanghai Huitang Zhihe Investment Co., Ltd. ("SH Huitang Zhihe")	Shareholder
HBIS Company Limited ("HBIS Company")	Parent company of SH Huitang Zhihe
Tangshan Iron and Steel Group Co., Ltd. ("HBIS Tangsteel")	Shareholder of HBIS Company
Tangshan Middle and Heavy Plate Co., Ltd.	Subsidiary of HBIS Company
Tangsteel Qinglong Furnace Charge Co., Ltd.	Subsidiary of HBIS Company
Tangshan Stainless Steel Co., Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Chuangyuan Fangda Electric Co., Ltd.	Subsidiary of HBIS Tangsteel
Hebei Tangyin Iron and Steel Co., Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Iron and Steel Group Weir Automation Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Weir M&E Installation Co., Ltd.	Subsidiary of HBIS Tangsteel

Name	Relationship
Tangsteels Veolia (Tangshan) Water Co., Ltd.	Associate of HBIS Tangsteel
HBIS Tangsteel Meijin (Tangshan) Coal Chemical Co., Ltd. ("Tangshan Meijin")	Associate of HBIS Tangsteel
Tangshan Hongci Hospital	Associate of HBIS Tangsteel
Tangsteel International Engineering Technology Corp	Associate of HBIS Tangsteel
CGII (Shanghai) Investment Management Co., Ltd.	Before 28 November 2017, subsidiary of CGI; After 28 November 2017, subsidiary of an indirect shareholder
Tangshan Huitang New Business Co., Ltd.	Subsidiary of HBIS Tangsteel
Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation ("Tangshan Jinheng")	Subsidiary of HBIS Tangsteel
Tangshan Iron and Steel Group City Service Co., Ltd	Subsidiary of HBIS Tangsteel
Tangshan Jinheng Human Resource Management Co., Ltd	Subsidiary of Tangshan Jinheng
HBIS Laoting Iron and Steel Co., Ltd	Subsidiary of HBIS Group Co., Ltd

(b) Significant transactions with related parties

Related party transactions that will not continue after the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"):

(i) Purchases of products, property, plant and equipment

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Tangshan Middle and Heavy Plate Co., Ltd.	<u>2,182,747</u>	<u>156,608,591</u>	<u>—</u>	<u>—</u>	<u>—</u>

(ii) Sales of products

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Tangshan Meijin	<u>1,121,640</u>	<u>523,965</u>	<u>128,700</u>	<u>—</u>	<u>—</u>

(iii) Provision of services

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
Tangshan Middle and Heavy Plate Co., Ltd.	200,000	360,000	—	—	—
Tangsteels Veolia (Tangshan) Water Co., Ltd.	—	794,501	—	—	—
HBIS Laoting Iron and Steel Co., Ltd	—	—	—	—	301,239
	<u>200,000</u>	<u>1,154,501</u>	<u>—</u>	<u>—</u>	<u>301,239</u>

(iv) Receipt of services

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
CGII (Shanghai) Investment Management Co., Ltd.	7,181,604	6,969,339	7,075,471	3,537,736	3,537,736
Tangshan Middle and Heavy Plate Co., Ltd.	<u>3,362,159</u>	<u>1,272,275</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>10,543,763</u>	<u>8,241,614</u>	<u>7,075,471</u>	<u>3,537,736</u>	<u>3,537,736</u>

(v) Payments by a related party on behalf of the Company

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
China Gas Investors Ltd.	<u>2,304,458</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(vi) Borrowings from a related party

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
China Gas Investors Ltd. (Note 29)	<u>—</u>	<u>—</u>	<u>—</u>	<u>66,340,855</u>	<u>—</u>

(vii) Payments of utilities on behalf of a related party

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
Tangshan Meijin	<u>11,001,281</u>	<u>18,581,876</u>	<u>28,519,909</u>	<u>11,452,168</u>	<u>—</u>

Related party transaction that will continue after the Listing

(i) Purchases of utilities, property, plant and equipment

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	331,456,372	355,554,996	391,907,055	203,936,877	169,379,398
Tangshan Stainless Steel Co., Ltd.	132,592,345	170,952,986	182,989,487	89,964,881	81,506,791
Tangshan Middle and Heavy Plate Co., Ltd.	113,785,465	127,674,343	206,579,587	109,754,428	99,923,735
Tangshan Meijin	69,727,496	68,918,731	46,799,587	23,414,691	8,451,461
Tangsteels Veolia (Tangshan) Water Co., Ltd.	10,841,785	11,265,767	11,129,655	4,772,593	4,767,007
HBIS Laoting Iron and Steel Co., Ltd	—	—	—	—	879,438
Tangshan Chuangyuan Fangda Electric Co., Ltd	<u>4,442,830</u>	<u>363,924</u>	<u>14,434,194</u>	<u>7,608,392</u>	<u>2,274,934</u>
	<u>662,846,293</u>	<u>734,730,747</u>	<u>853,839,565</u>	<u>439,451,862</u>	<u>367,182,764</u>

APPENDIX I

ACCOUNTANT'S REPORT

(ii) Sales of products

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	383,855,049	394,152,564	481,361,890	263,619,568	225,572,192
Tangshan Stainless Steel Co., Ltd.	210,405,349	201,436,513	207,465,419	103,794,971	98,307,724
Tangshan Middle and Heavy Plate Co., Ltd.	168,236,450	167,133,233	285,543,745	150,784,464	153,388,379
Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd.	14,955,237	16,122,081	21,990,543	11,227,211	8,976,625
Tangshan Meijin	3,529,602	4,956,604	5,555,374	2,545,174	2,713,030
Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd.	4,898,476	3,037,701	1,170,508	558,480	522,765
Hebei Tangyin Iron and Steel Co., Ltd.	777,854	2,485,436	8,038,657	6,496,789	2,211,815
Tangshan Hongci Hospital	115,377	126,905	137,782	65,083	79,699
Tangshan Iron and Steel Group Co., Ltd.	109,269	187,010	472,792	265,248	156,628
Tangshan Chuangyuan Fangda Electric Co., Ltd.	18,140	9,538	19,168	12,442	24,115
HBIS Laoting Iron and Steel Co., Ltd	—	—	740,535	—	1,606,489
Tangsteel Qinglong Furnace Charge Co., Ltd	—	—	—	—	65,438
	<u>786,900,803</u>	<u>789,647,585</u>	<u>1,012,496,413</u>	<u>539,369,430</u>	<u>493,624,899</u>

(iii) Gas transmission and other services provided to related parties

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	30,328,022	55,305,163	83,930,363	31,479,511	35,094,259
Tangshan Iron and Steel Group Co., Ltd.	121,880	185,676	189,915	94,339	95,575
	<u>30,449,902</u>	<u>55,490,839</u>	<u>84,120,278</u>	<u>31,573,850</u>	<u>35,189,834</u>

(iv) Receipt of services

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	6,220,588	6,258,148	6,290,396	3,420,000	3,417,000
Tangsteel International Engineering Technology Corp	—	—	2,905,660	2,699,115	1,191,604
Tangshan Huitang New Business Co., Ltd.	547,813	387,559	257,040	142,854	101,694
Tangshan Iron and Steel Group Co., Ltd.	314,913	333,167	514,630	187,841	18,167
Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation	19,848	45,903	90,969	36,576	48,355
Tangshan Jinheng Human Resource Management Co., Ltd	—	186,455	839,479	500,614	337,773
Tangshan Iron and Steel Group Weir Automation Ltd.	—	60,220	169,810	—	—
Tangshan Weir M&E Installation Co., Ltd.	525,110	—	—	—	—
Tangshan Iron and Steel Group City Service Co., Ltd	395,901	197,950	395,901	197,950	197,950
	<u>8,024,173</u>	<u>7,469,402</u>	<u>11,463,885</u>	<u>7,184,950</u>	<u>5,312,543</u>

(v) Right-of-use assets acquired from related parties

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	—	—	8,112,798	8,112,798	—
Tangshan Middle and Heavy Plate Co., Ltd.	—	967,069	—	—	—
	<u>—</u>	<u>967,069</u>	<u>8,112,798</u>	<u>8,112,798</u>	<u>—</u>

(vi) Interest expenses on lease liabilities due to related parties

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB (Unaudited)	RMB
HBIS Company Limited	262,659	242,445	893,620	303,853	682,371
Tangshan Middle and Heavy Plate Co., Ltd.	13,740	21,512	20,074	23,566	13,900
	<u>276,399</u>	<u>263,957</u>	<u>913,694</u>	<u>327,419</u>	<u>696,271</u>

*(c) Balances with related parties**(i) Trade receivables*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
HBIS Company Limited	38,071,898	165,207,556	171,788,309	102,997,078
Tangshan Meijin	—	6,343,967	12,794,510	3,065,723
Tangshan Middle and Heavy Plate Co., Ltd.	15,154,684	22,681,365	42,201,746	74,250,464
Tangshan Stainless Steel Co., Ltd.	17,655,492	8,934,916	8,403,116	21,336,120
Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd.	3,485,974	3,472,602	21,045,429	17,126,876
Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd.	807,308	657,005	789,335	1,380,059
Hebei Tangyin Iron and Steel Co., Ltd.	—	297,396	339,682	—
Tangshan Iron and Steel Group Co., Ltd	85,319	191,368	370,461	457,057
Tangshan Hongci Hospital	—	—	—	16,900
Tangsteel Qinglong Furnace Charge Co., Ltd	—	—	—	73,945
	<u>75,260,675</u>	<u>207,786,175</u>	<u>257,732,588</u>	<u>220,704,222</u>

(ii) Other receivables (Non-trade)

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Tangshan Meijin (Note 23)	<u>16,342,288</u>	<u>34,924,164</u>	<u>63,444,073</u>	<u>—</u>

Other receivables due from a related party are unsecured, non-interest bearing and repayable on demand.

Balances of other receivables due from related parties are non-trade in nature. The balances of other receivables in non-trade nature has been settled by 30 June 2020.

(iii) *Contract liabilities (Trade)*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Tangshan Meijin	745,000	—	—	—
Tangshan Chuangyuan Fangda Electric Co., Ltd.	5,373	5,109	10,443	1,943
HBIS Laoting Iron and Steel Co., Ltd	—	—	542,817	—
	<u>750,373</u>	<u>5,109</u>	<u>553,260</u>	<u>1,943</u>

(iv) *Trade payables*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
HBIS Company Limited	31,350,605	148,633,819	78,684,716	46,448,707
Tangshan Meijin	62,364,092	92,974,415	112,206,098	37,769,103
Tangshan Middle and Heavy Plate Co., Ltd.	2,182,747	4,661,093	—	2,378,524
Tangsteels Veolia (Tangshan) Water Co., Ltd.	5,124,074	2,004,522	8,652,704	9,039,422
Tangshan Stainless Steel Co., Ltd.	—	1,436,448	1,294,375	—
Tangshan Huitang New Business Co., Ltd.	400,213	846,457	1,110,802	725,716
Tangshan Iron and Steel Group Co., Ltd.	629,845	697,136	819,736	829,554
Tangshan Chuangyuan Fangda Electric Co., Ltd.	19,756	53,044	289,201	289,201
Tangshan Iron and Steel Group City Service Co., Ltd	578,054	96,418	16,073	225,900
Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation	—	53,707	150,225	150,225
HBIS Laoting Iron and Steel Co., Ltd	—	—	—	993,764
	<u>102,649,386</u>	<u>251,457,059</u>	<u>203,223,930</u>	<u>98,850,116</u>

(v) *Other payables (Trade)*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
HBIS Company Limited	597,750	597,750	7,511,002	10,934,629
Tangshan Middle and Heavy Plate Co., Ltd.	—	80,904,024	—	—
China Gas Investors Ltd.	2,304,458	2,304,458	—	—
Tangshan Chuangyuan Fangda Electric Co., Ltd.	1,567,116	31,137	3,243,895	5,543,400
Tangshan Iron and Steel Group Co., Ltd	878,161	971,642	1,013,811	1,023,511
Tangshan Stainless Steel Co., Ltd.	700	700	700	700
Tangshan Weir M&E Installation Co., Ltd.	81	81	—	—
Shanghai Huitang Zhihe Investment Co., Ltd.	—	14,900,000	14,900,000	14,900,000
CGII (Shanghai) Investment Management Co., Ltd.	—	—	1,875,000	—
Tangsteel International Engineering Technology Corp	—	—	—	10,000
	<u>5,348,266</u>	<u>99,709,792</u>	<u>28,544,408</u>	<u>32,412,240</u>

Other payables due to related parties are unsecured, non-interest bearing and repayable on demand.

(vi) *Prepayment for PPE Purchase (Trade)*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
Tangsteel International Engineering Technology Corp	—	50,000	—	—

(vii) *Lease liabilities (Trade)*

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB	RMB	RMB	RMB
HBIS Company Limited	4,837,725	4,414,170	13,420,588	14,102,959
Tangshan Middle and Heavy Plate Co., Ltd.	209,998	982,472	579,517	593,418
	<u>5,047,723</u>	<u>5,396,642</u>	<u>14,000,105</u>	<u>14,696,377</u>

The balances which are trading in nature will be settled in accordance with respective normal commercial credit terms, and the balances of lease liabilities are expected to be settled according to the payment schedule prescribed in the lease contracts.

(d) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year ended 31 December			As at 30 June	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Wages, salaries and bonuses	1,472,167	1,626,097	1,727,297	941,880	973,595
Pension costs - defined contribution plans	109,199	145,135	185,606	72,168	10,310
Other social security costs, housing benefits and other employee benefits	160,334	224,443	233,241	120,398	103,384
	<u>1,741,700</u>	<u>1,995,675</u>	<u>2,146,144</u>	<u>1,134,446</u>	<u>1,087,289</u>

Executive Directors of the Company did not receive any compensations from the Group. The Company's shareholders borne all of their remunerations and did not recharge any amount to the Group.

37 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020.

38 Subsequent events

In September 2020, HBIS Group completely ceased the productions in its Tangshan branch to the extent as it agreed with the People's Government of Tangshan. As a result, certain air separation units ("ASUs") and other relevant manufacturing equipment at the Group's plants in Tangshan Tangsteel Gases Co., Ltd. ("TTG") which supported Tangshan branch of HBIS Group ceased productions since the end of August 2020. The Group is currently in the progress of arranging the relocation of relevant manufacturing equipment in these plants.

The Company declared a total dividend of RMB267.7 million on 20 October 2020 which will be paid upon its Listing.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2020 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 June 2020 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share (Note 3 & 6)	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.77 per Share	<u>1,368,644</u>	<u>433,390</u>	<u>1,802,034</u>	<u>1.50</u>	<u>1.71</u>
Based on an Offer Price of HK\$1.37 per Share	<u>1,368,644</u>	<u>331,486</u>	<u>1,700,130</u>	<u>1.42</u>	<u>1.61</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2020 of RMB1,369,831,571 with adjustments for the intangible assets as at 30 June 2020 of RMB1,188,207.

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.77 and HK\$1.37 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB32,244,696 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the general mandates granted to the Directors to issue or repurchase Shares.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue have been completed on 30 June 2020 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the general mandates granted to the Directors to issue or repurchase Shares.
- (4) The unaudited pro forma adjusted net tangible assets does not take into account the dividend of RMB267.7 million the Company declared on 20 October 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per ordinary share would be RMB1.28 (equivalent to HK\$1.45) assuming an offer price of HK\$1.77 per share, and RMB1.19 (equivalent to HK\$1.36) assuming an offer price of HK\$1.37 per share.
- (5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8800.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Gas Industry Investment Holdings Co. Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Gas Industry Investment Holdings Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 28 October 2020, in connection with the proposed global offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed global offering on the Group's financial position as at 30 June 2020 as if the proposed global offering had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 June 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 October 2020

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 August 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 June 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

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The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be

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interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

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(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

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Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

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(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board,

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at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

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(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law.

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A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The undertaking for the Company is for a period of twenty years from 16 December 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 4 August 2006. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 January 2020, with Ms. Siu Wing Kit and Ms. Ho Siu Pik appointed as the authorised representatives of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Cayman Islands Companies Law and our constitution comprises the Memorandum of Association and Articles of Association. A summary of various provisions of the Memorandum of Association and Articles of Association and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of incorporation was US\$50,000 divided into 50,000 Shares of US\$1.00 each. The following sets out the changes in our Company's issued share capital since our incorporation:

- (a) Upon incorporation, one Share was allotted and issued, credited as fully-paid, to Offshore Incorporations (Cayman) Limited as the initial subscriber and such subscriber Share was then transferred to CGI on 29 September 2006. On the same date, every share of US\$1.00 was subdivided into 10,000 Shares of US\$0.0001 each and the one subscriber Share held by CGI was subdivided into 10,000 Shares.
- (b) On 20 March 2007, CGI has subscribed for and was allotted and issued a further 50,654,978 Shares at a total consideration of US\$40,000,000, following which CGI held 50,664,978 Shares in aggregate, representing the then entire shareholding of our Company.
- (c) On 30 November 2015, 50,664,978 Shares were issued and allotted to SH Huitang Zhihe as a consideration of SH Huitang Zhihe's transfer of its entire equity interest in TTG to our Company. As a result, our Company was then owned as to 50% by CGI and 50% by SH Huitang Zhihe.
- (d) On 25 November 2019, our Company allotted and issued 4,245,494 Shares to CGI at a total consideration of US\$9.65 million by way of capitalisation of a shareholder's loan, as part of the Reorganisation. As a result, our Company was owned as to approximately 52.01% by CGI and 47.99% by SH Huitang Zhihe.
- (e) On 17 June 2020, the authorised share capital of our Company was changed from US\$50,000 divided into 500,000,000 Shares of US\$0.0001 each to US\$200,000 divided into 2,000,000,000 Shares of US\$0.0001 each by creating an additional 1,500,000,000 authorised but unissued ordinary Shares of US\$0.0001 each.

Assuming that the Global Offering becomes unconditional, the Offer Shares under the Capitalisation Issue are issued, immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the issued share capital will be US\$120,000.0 divided into 1,200,000,000 Shares fully paid or credited as fully paid, and 800,000,000 Shares will remain unissued. Other than any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any Shares out of the authorised but unissued share capital of our Company.

3. Changes in share capital or number of issued shares of our Company's subsidiaries

The subsidiaries of our Company are referred to in the Accountant's Report as set out in Appendix I to this prospectus.

Save for the alterations disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there is no other alteration in the share capital or registered share capital or number of issued shares of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our then Shareholders

Pursuant to the resolutions in writing passed by our then Shareholders on 17 June 2020, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles, conditionally upon the fulfilment of the Conditions (as defined below) and with effect from the Listing Date;
- (b) our Company increased our authorised share capital from US\$50,000 divided into 500,000,000 Shares of par value US\$0.0001 each to US\$200,000 divided into 2,000,000,000 Shares of par value US\$0.0001 each by the creation of additional 1,500,000,000 new Shares of par value US\$0.0001 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "— E. Share Option Scheme" in this appendix to this prospectus, conditional on, among others, the Listing Committee granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and the Share Option Scheme, our Directors have been authorised to grant options and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (d) conditional on, among others, the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having being terminated in accordance with the terms of the Underwriting Agreements on or before such dates as may be specified in the Underwriting Agreements (“**Conditions**”);
- (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares under the Global Offering;
- (ii) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise a sum of US\$79,442.455 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 794,424,550 Shares at par for allotment and issue to our Shareholders whose names appear on the register of members of our Company at the close of business on 17 June 2020 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
- (iii) the issue mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements, or a specific authority granted by our Shareholders in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Capitalisation Issue and the Global Offering, Shares with a total number not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme); and (bb) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by our Articles of Association, the Cayman Islands Companies Law or any other applicable Cayman Islands laws to be held, or the passing of the ordinary resolutions by our Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iii), whichever occurs first; and

- (iv) the repurchase mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by our Articles of Association, the Cayman Islands Companies Law or any other applicable Cayman Islands laws to be held, or the passing of ordinary resolutions by our Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first.

5. Corporate reorganisation

In preparation for the Listing, our Group undertakes the Reorganisation. Please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for further details.

6. Repurchase of our Company’s securities

This paragraph includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders at a general meeting.

(b) Shareholders’ approval

All proposed repurchases of Shares by our Company must be approved in advance by an ordinary resolution of our Company either by way of a general mandate or by a specific approval to our Directors.

In 2020, our Directors were granted a general unconditional mandate to repurchase up to 10% of the total number of Shares issued by our Company immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme). This mandate will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting, (ii) the expiration of the period within which the next annual general meeting is required by our Articles of Association, the Companies Law of the Cayman Islands or any other applicable Cayman Islands laws to be held; or (iii) the passing of the ordinary resolution by our Shareholders revoking or varying the authority given to our Directors under the Repurchase Mandate (the “**Relevant Period**”).

(c) Source of funds

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time. Pursuant to the Repurchase Mandate, our Company will make repurchases out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in any case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Islands Companies Law, a repurchase of shares may also be paid, out of capital of our Company.

(d) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of our Company and our Company's assets and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Articles and the applicable laws of the Cayman Islands.

If the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital or the gearing position of our Company. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of our Company, and would only exercise the Repurchase Mandate when in the opinion of our Directors is from time to time appropriate for our Company.

(f) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares which are expected to be in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme) would result in up to 120,000,000 Shares being repurchased by our Company during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of the Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in our Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange. Save as mentioned above, our Directors are not aware of any consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he, she or it has a present intention to sell his, her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of our material contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 10 December 2018, entered into between our Company and TTG, pursuant to which our Company agreed to transfer to TTG its entire equity interest in Zhongqi Investment with registered capital of RMB72 million;
- (b) a tripartite agreement dated 17 December 2018, entered into between HBIS Company, TTG and China Gas Investors Limited, in connection with, among other things, the termination of the free use of buildings by TTG and the settlement and capitalisation of a shareholder's loan; and
- (c) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group registered the following trademarks in the PRC which we consider to be or may be material to our business:

Trademark	Name of registrant	Trademark number	Class	Registration date	Expiry date
	TTG	6065385	1	28 January 2010	27 January 2030
	TTG	6065386	5	14 February 2010	13 February 2030
唐钢气体	TTG	6065387	5	14 June 2010	13 June 2030
TANGSTEEL GASES	TTG	6065388	5	28 June 2010	27 June 2030

(b) Patents

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents in the PRC which we consider to be or may be material to our business:

Description of the patent	Patent number	Patent holder	Application date	Expiry date
An exhaust gas scrubber for argon in steel production (一種煉鋼用氬氣集中供應排放氣回收裝置)	201120059891X	TTG	9 March 2011	8 March 2021
A cold energy recovery device for liquid argon vaporizer (一種液氬汽化冷量的回收裝置)	2011200599467	TTG	9 March 2011	8 March 2021
An auxiliary brake for liquid tank truck (一種用於液體儲罐車的輔助制動裝置)	2011200599700	TTG	9 March 2011	8 March 2021

Description of the patent	Patent number	Patent holder	Application date	Expiry date
An electrical switchgear failure alarm for air separation device (一種空氣分離裝置中的調功櫃可控矽擊穿報警裝置)	2011200600002	TTG	9 March 2011	8 March 2021
A synthetic ammonia scrubber-fed food grade CO ₂ generator (合成氨副產氣為原料的食品級CO ₂ 制取系統)	201120259643X	TTG	21 July 2011	20 July 2021
A low load operation device for air separation equipment (一種用於空分設備低負荷生產的裝置)	2012202945295	TTG	21 June 2012	20 June 2022
An anti-rupture safety device for filling pipe of liquid oxygen storage tank (一種防止液氧儲罐充液管道拉斷的安全裝置)	2012202973399	TTG	25 June 2012	24 June 2022
A flash steam recovery device for liquid oxygen tank (一種液氧儲罐閃蒸汽回收裝置)	2014203026140	TTG	9 June 2014	8 June 2024
An emergency delivery device for medical oxygen concentrator (一種醫用氧氣站臨時供氣的裝置)	2014203027938	TTG	9 June 2014	8 June 2024
A connection part for low load operation of ASU (一種能夠使空分裝置低負荷運行的連接結構)	2014205172226	TTG	10 September 2014	9 September 2024
A pressure drill for pipe (一種管道帶壓鑽孔裝置)	2014205481268	TTG	23 September 2014	22 September 2024
A waste heat utilisation device for COG made LNG (一種焦爐煤氣製備液化天然氣的餘熱利用裝置)	201520326718X	TTG	20 May 2015	19 May 2025

Description of the patent	Patent number	Patent holder	Application date	Expiry date
A carbon dioxide removal device for COG to LNG process (一種焦爐煤氣制液化天然氣過程中二氧化碳脫除裝置)	2015203267870	TTG	20 May 2015	19 May 2025
A hydrogen rich scrubber for COG made LNG (一種焦爐煤氣制液化天然氣的富氫尾氣處理裝置)	2015205301471	TTG	21 July 2015	20 July 2025
A high voltage trigger (一種高壓電機啟動裝置)	2015205301965	TTG	21 July 2015	20 July 2025
An air compressor trigger with safety valve (具有防故障誤動功能的空壓機啟動裝置)	201720681702X	TTG	13 June 2017	12 June 2027
A tank storage system with solar-powered remote signal transmission function (太陽能供電的具有遠程信號傳輸功能的儲罐系統)	2017210253903	TTG	16 August 2017	15 August 2027
A flash steam recovery device for LNG tank (液化天然氣儲罐閃蒸氣回收裝置)	2017211430411	TTG	7 September 2017	6 September 2027
An oxygen/argon adapter (一種氧氬轉換裝置)	2017211424872	TTG	7 September 2017	6 September 2027

(c) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which we consider to be or may be material to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
www.tsggs.cn	TTG	11 April 2007	11 April 2027
www.tsggs.com	TTG	11 April 2007	11 April 2027
www.tsggs.com.cn	TTG	27 June 2007	27 June 2027
www.tsggs.net.cn	TTG	27 June 2007	27 June 2027
www.tsggs.net	TTG	26 June 2007	26 June 2027

(d) Copyrights

As at the Latest Practicable Date, our Group was the registered proprietor of the following copyrights in the PRC which we consider to be or may be material to our business:

Copyright name	Name of registered proprietor	Registration Number	Date of Publication	Expiry date
Gas Generation and Sales System Steel Enterprise Version V1.0 (鋼鐵企業版氣體產銷系統v1.0)	TTG	2013SR020729	12 July 2011	31 December 2061
Network Management System Steel Enterprise Version V1.0 (鋼鐵企業版網絡管理應用系統v1.0)	TTG	2013SR029886	30 July 2011	31 December 2061
TTG Staff Information Management System V1.0 (唐鋼氣體員工基本信息管理系統v1.0)	TTG	2013SR155727	23 January 2013	31 December 2063
Nitrogen Compressor Network Controlling System V1.0 (氮氣壓縮機多機組聯網自控系統V1.0)	TTG	2014SR108110	23 October 2013	31 December 2063

Copyright name	Name of registered proprietor	Registration Number	Date of Publication	Expiry date
Electronic Library and File Management System V1.0 (電子圖書及檔案管理系統 v1.0)	TTG	2015SR155346	10 October 2014	31 December 2064
TTG Product Sales Management System V1.0 (唐鋼氣體產品銷售管理系統 v1.0)	TTG	2016SR156244	20 May 2015	31 December 2065
TTG Critical Equipment Accumulated Logging System V1.0 (唐鋼氣體重點設備累積啟停時間記錄系統 v1.0)	TTG	2017SR046206	19 September 2016	31 December 2066
TTG Critical Equipment Logging System V1.0 (唐鋼氣體重點設備啟停記錄系統 v1.0)	TTG	2017SR044937	19 September 2016	31 December 2066

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) *Interests and/or short positions of our Directors and chief executive in the Shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), none of our Directors or chief executive of our Company has any interests or short positions in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange.

(b) Interests and/or short positions of substantial shareholders in the Shares and Underlying Shares of our Group

(i) Interest and/or short position of the Substantial Shareholders in the Shares and underlying Shares of the Company

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person, not being a Director or chief executive of our Company, who will have an interest or short position in our Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(ii) Interest of the Substantial Shareholders in other members of our Group (other than our Company)

Our Directors are not aware of any other person, not being a Director or chief executive of our Company, who will have an interest or short position in our Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group (other than our Company).

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors’ service contracts

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by either party giving to the other not less than three months’ prior notice in writing.

Each of our Directors is entitled to the respective basic salary under their respective service contracts or appointment letters. Our Directors may also be entitled to a discretionary bonus. A Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him or her.

The estimated aggregate annual remuneration payable to our Directors (including independent non-executive Directors) and our senior management by our Group after Listing is approximately RMB7.2 million (including wages, salaries, bonuses, pension costs-defined contribution plans, housing funds, medical insurance and other social welfare contributions, Director’s fees but excluding discretionary bonus) and RMB4.0 million, respectively.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or an appointment letter (as the case may be) with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Our Company has not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determinable by our Company within one year without payment of compensation (other than statutory compensation).

2. Directors' remuneration during the Track Record Period

The aggregate amount of remuneration our Directors received (including wages, salaries, bonuses, pension costs-defined contribution plans, housing funds, medical insurance and other social welfare contributions, Director's fees and discretionary bonuses) from our Group for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 were nil, nil, nil and nil, respectively.

No other emoluments have been paid or are payable in respect of the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 by our Group to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and share-based compensation paid and payable to our Directors by our Group for the year ending 31 December 2020 is estimated to be approximately RMB1.0 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

No Directors waived or agreed to waive any emoluments for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by the written resolutions of our then Shareholders on 17 June 2020. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons

who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in paragraph 2 below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

Our Board may, at its sole discretion, invite any director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a director or proposed director (including an independent non-executive director) of any member of our Group, a general staff of any member of our Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons (together, the “**Eligible Persons**” and each an “**Eligible Person**”).

3. Conditions and administration

The Share Option Scheme shall come into effect on the Listing Date, subject to:

- (a) the Stock Exchange granting approval for the listing of and permission to deal in our Shares to be issued and allotted pursuant to the exercise of the Share Options; and
- (b) the commencement of dealings in our Shares on the Main Board.

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of the Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

4. Determination of eligibility

- (a) Our Board may, at its absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.
- (b) The basis of eligibility of any Eligible Person to the grant of any Share Option shall be determined by our Directors from time to time on the basis of their contributions to the development and growth of our Group.
- (c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of Share Options under the Share Option Scheme.

- (d) An Eligible Person or grantee shall provide our Board with such information and supporting evidence as our Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of Share Option, at the time of acceptance of a grant of Share Option, and at the time of exercise of a Share Option) for the purpose of assessing and/or determining his/her eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his/her close associates or for purposes in connection with the terms of a Share Option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

5. Duration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

6. Grant of Share Options

On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within the period of the Share Option Scheme to offer the grant of any Share Option to any Eligible Person as our Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, our Board may in its absolute discretion when offering the grant of a Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set out in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Share Option in respect of all or some of the Shares which the Share Option relates shall vest.

An offer of the grant of a Share Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the Share Option. Once such acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date.

7. Subscription price of Shares

The subscription price in respect of any particular Share Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Share Option (and shall be stated in the letter containing the offer of the grant of the Share Option) but the subscription price shall be the highest of:

- (a) the nominal value of Share;
- (b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. Exercise of Share Options

- (a) A Share Option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of Share Options established by our Company from time to time. Every exercise of a Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Share Option.
- (b) A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option or purport to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option may be registered). Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding Share Option or part thereof granted to such grantee without any compensation.
- (c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, a Share Option may be exercised at any time during the option period, provided that:
 - (i) if the grantee (being an individual) dies or becomes permanently disabled before exercising a Share Option (or exercising it in full), he/she (or his/her legal representative(s)) may exercise the Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his/her death or permanent disability or such longer period as our Board may determine;

- (ii) in the event of the grantee ceasing to be an Executive by reason of his/her retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his/her Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
- (iii) in the event of the grantee ceasing to be an Executive by reason of his/her transfer of employment to an affiliate company of our Company, his/her Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (iv) in the event of the grantee ceasing to be an Executive by reason (including his/her employing company ceasing to be a member of our Group) other than his/her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his/her employment with the relevant member of our Group by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (v) in the event of the grantee ceasing to be an Executive by reason of the termination of his/her employment by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his/her employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Share Option has lapsed pursuant to this subparagraph shall be final and conclusive;
- (vi) if a grantee being an executive Director ceases to be an Executive but remains a non-executive Director, his/her Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined, the Share Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (vii) if (1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Share Option or which were the basis on which the Share Option was granted, the Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/nonsatisfaction/ non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this subparagraph shall be final and conclusive;
- (viii) if a grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar functions appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (2) has suspended or ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Islands Companies Law or any applicable law); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the grantee or his/her associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (ix) if a grantee (being an individual) (1) is unable or has no reasonable prospect of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable laws or has otherwise become insolvent; or (2) has made any arrangements or compositions with his/her creditors generally; or (3) has been convicted of any criminal offences involving his/her integrity or honesty; or (4) commits a breach of any contracts entered into between the grantee or his/her associate and any member of our Group, the Share Option (to the extent not already exercised) shall lapse on the date on which he/she is deemed unable or to have no reasonable prospects of being able to pay his/her debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any

jurisdiction or on the date on which he/she enters into the said arrangement or composition with his/her creditors or on the date of his/her conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (xi) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the company shall forthwith give notice thereof to the Grantee and the Grantee may by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed shareholders' meeting) exercise any subsisting Option which had not been fully exercised either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise; and
- (xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantees who have unexercised Share Options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his/her legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his/her Share Option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all Share Options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Share Option to place the grantee in the same position as would have been the case had such Shares been the subject of such

compromise or arrangement, provided that in determining the entitlement of any grantee to exercise a Share Option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the Share Option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Share Option such right shall not have then vested.

- (d) The Shares to be allotted upon the exercise of a Share Option shall be subject to all the provisions of our Memorandum and Articles and the laws of the Cayman Islands in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Share Option pursuant to the Share Option Scheme.
- (e) Our Company is entitled to refuse any exercise of a Share Option if such exercise is not in accordance with the terms of the Share Option Scheme or the procedures for exercise of Share Option established by our Company from time to time or if such exercise may cause our Company to contravene or breach any laws, enactments or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the Listing Rules or any rules governing the listing of the Shares on a stock exchange.

9. Lapse of Share Options

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 8(c);
- (c) the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (chapter 6 of the Laws of Hong Kong);
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or

- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Share Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of Shares available for Subscription

The maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Global Offering and as at the Listing Date (i.e. not exceeding 120,000,000 Shares) (the “**Scheme Mandate Limit**”), provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by our Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rules 17.02(2)-(4) and 2.07 of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to our Shareholders. In addition, our Company may seek separate approval from our Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought (Our Company shall issue a circular to our Shareholders containing the information required under Rule 17.03(3) of the Listing Rules).

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Share Options granted to any one Eligible Person (including exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Share Options to such Eligible Person would result in the Shares issued and to be issued upon exercise of all Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his/her close associates (or his/her associates if such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with. The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 12 but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

11. Maximum number of Shares per grantee who is a core connected person

Each grant of Share Options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the Share Options). Where any grant of Share Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Share Options must be approved by our Shareholders.

Our Company shall send a circular to our Shareholders containing the information required under Rule 17.04 of the Listing Rules. The relevant Eligible Person, his/her associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

12. Cancellation of Share Options

Our Board shall be entitled for the following causes to cancel any Share Option in whole or in part by giving notice in writing to the grantee stating that such Share Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) or any terms or conditions attached to the grant of the Share Option;
- (b) the grantee makes a written request to our Board for, or agrees to, the Share Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Share Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Share Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a Share Option held by a grantee and issues new Share Options to the same grantee, the issue of such new Share Options may only be made under the Share Option Scheme with available unissued Share Options (excluding the cancelled Share Option) within the limit approved by our Shareholders set out in paragraph 10.

13. Reorganisation of capital structure

In the event of any change in the capital structure of our Company while any Share Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the number of Shares subject to outstanding Share Options;
- (b) the subscription price of each outstanding Share Option; and/or
- (c) the number of Shares subject to the Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisers (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes, provided that:

- (a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company for which any grantee is entitled to subscribe pursuant to the options held by him/her shall remain the same as (but shall not be greater than) that to which he/she was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisers (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisers (as the case may be) shall be borne by our Company.

14. Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (the “**Distribution**”), our Company may make a downward adjustment to the subscription price of any Share Option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board’s determination of any adjustments shall be final and binding on all grantees, (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to our Shareholders, (c) such adjustment shall take effect on or after the date of such Distribution by our Company, (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by our Shareholders in general meeting; and (e) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

15. Share Capital

The exercise of any Share Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of Share Options.

16. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of a Share Option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisers (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantees;
- (c) any change to the authority of our Directors in relation to any alteration to the terms of the Share Option Scheme; and
- (d) any alteration to this paragraph 17,

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

18. Termination

The Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. Our Shareholders by resolution in general meeting may at any time terminate the operation of the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

F. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the PRC, being the jurisdiction in which one or more of the companies comprising our Group were established or incorporated.

2. Litigation

Our Directors confirm that there had not been any litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial condition and results of operations, as at the Latest Practicable Date.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees are HK\$7.0 million and are payable by our Company.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed China Everbright Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$12,000 and are payable by our Company.

6. Promoters

Our Company has no promoter for the purposes of the Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this prospectus or intended to be paid or given to any promoter.

7. Taxation of holders of Shares***(a) Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers and other dispositions (if any) of our Shares except any transfer of shares of a company that holds interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letter, advice or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	Licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Zhong Lun Law Firm	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan International Limited	Industry consultant

9. Consents of experts

Each of experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, advice, opinions or summaries of opinions (as the case may be) and/or references to their names included in this prospectus in the form and context in which they respectively appear.

10. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of our Directors nor any of the parties listed in the paragraphs headed “— F. Other information — 8. Qualification of experts” in this appendix to this prospectus has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (b) none of our Directors nor any of the parties listed in the paragraphs headed “— F. Other information — 8. Qualification of experts” in this appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

- (c) save for the Hong Kong Underwriting Agreement, none of the parties listed in the paragraphs headed “— F. Other information — 8. Qualification of experts” in this appendix to this prospectus:
- (i) is interested legally or beneficially in any of the Shares or any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities in any member of our Group;
- (d) none of the equity and debt securities of our Company or any of our subsidiaries is listed or dealt with in any other stock exchange, or being traded on any trading system, nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (e) no share or loan or share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;
- (g) our Company has no outstanding convertible debt securities or debentures;
- (h) within the two years preceding the date of this prospectus, no share or loan or share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (i) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
- (j) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring, subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (k) since 30 June 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in the financial or trading position of our Group;
- (l) there is no arrangement under which future dividends are waived or agreed to be waived;

- (m) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (n) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and
- (o) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual prospectus

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — F. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further information about our business — 1. Summary of our material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of this prospectus and the following documents will be available for inspection at the office of Eversheds Sutherland at 37/F, One Taikoo Place, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, in respect of the historical financial information for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020;
- (e) the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of the company law of the Cayman Islands referred to the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law” in Appendix III to this prospectus;
- (f) the legal opinion issued by the PRC Legal Advisers in respect of general matters and property interests of our Group in the PRC;
- (g) the Frost & Sullivan Report;
- (h) the Cayman Islands Companies Law;

- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Further information about our business — 1. Summary of our material contracts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — D. Further information about our Directors — 1. Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section headed “Statutory and General Information — F. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (l) the Share Option Scheme.

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CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.