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If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Suchuang Gas Corporation Limited, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of China Resources Gas (Hong Kong) Investment Limited, Changjiangwei Limited or Suchuang Gas Corporation Limited.



蘇創燃氣
SUCHUANG GAS

**CHINA RESOURCES GAS
(HONG KONG) INVESTMENT LIMITED**
華潤燃氣(香港)投資有限公司
(incorporated in Hong Kong with limited liability)

SUCHUANG GAS CORPORATION LIMITED
蘇創燃氣股份有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1430)

- (1) PROPOSAL FOR THE TAKE-PRIVATE OF SUCHUANG GAS CORPORATION LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT**
- (2) PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**
- (3) PROPOSED WITHDRAWAL OF LISTING**
- (4) IRREVOCABLE UNDERTAKINGS BY THE IU SHAREHOLDERS, MINORITY IU SHAREHOLDERS AND ENTRUSTMENT MINORITY SHAREHOLDERS TO APPROVE THE PROPOSAL**
- (5) SPECIAL DEALS, CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO THE PROPOSED ASSETS DISPOSAL**

Financial Adviser to the Offeror



CICC
中金公司

Independent Financial Adviser to the Takeovers Code IBC and the Listing Rules IBC



安信國際
ESSENCE INTERNATIONAL

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Takeovers Code IBC containing its advice to the Disinterested Shareholders, the Independent Shareholders and the Optionholders in respect of the Proposal, the Scheme, the Special Deals and the Option Offer is set out in Part V of this Scheme Document. A letter from the Listing Rules IBC, containing its advice to the Independent Shareholders in relation to the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer) is set out in Part VI of this Scheme Document. A letter from Essence, being the Independent Financial Adviser, containing its advice to the Takeovers Code IBC in relation to the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals and its advice to the Listing Rules IBC in relation to the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer) is set out in Part VII of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out in Part VIII of this Scheme Document.

The actions to be taken by the Shareholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 10:00 a.m. on 10 June 2022 and the General Meeting to be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC are set out in Appendix IX and Appendix X to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon and to lodge them at the office of the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than the respective times and dates as stated under "Part II – Actions to be taken" of this Scheme Document. Completion and return of the forms of proxy for Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy will be revoked by operation of law.

This Scheme Document is not an offer of securities for sale in the United States. The New Shares to be issued in connection with the Proposal will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

This Scheme Document is issued jointly by the Offeror and the Company.

Save for "Appendix IIIA – Valuation Report", the English language text of this Scheme Document and the accompanying forms of proxy, Election Form, Form of Acceptance and Account Holder Form shall prevail over the Chinese version for the purpose of interpretation. In respect of "Appendix IIIA – Valuation Report", in case of any inconsistency, the Chinese version of Appendix IIIA shall prevail over the English version.

4 May 2022

SPECIAL ARRANGEMENTS FOR THE COURT MEETING AND THE GENERAL MEETING

Taking into account the recent development of the epidemic caused by coronavirus disease (COVID-19) in Hong Kong and the PRC, the Company will implement the following prevention and control measures at the Court Meeting and the General Meeting to protect Shareholders from the risk of infection:

HEALTH AND SAFETY MEASURES FOR THE PHYSICAL COURT MEETING AND THE GENERAL MEETING

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to the Company. To prevent and control the spread of COVID-19, the Company will implement the following measures at the Court Meeting and the General Meeting as part of the control measures to safeguard the health and safety of the attending Shareholders, staff and stakeholders of the Company:

- (a) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) every attending Shareholder or proxy is required to wear a surgical mask throughout the Court Meeting and the General Meeting; and
- (c) no refreshments will be served at the Court Meeting and/or the General Meeting.

PARTICIPATING IN THE COURT MEETING AND THE GENERAL MEETING BY MEANS OF ELECTRONIC FACILITIES

Shareholders will be able to view and listen to the Court Meeting and the General Meeting through a live broadcast through Tricor e-Meeting System and submit questions online during the Court Meeting and the General Meeting by visiting the websites for (1) the Court Meeting at <https://spot-emeeting.tricor.hk/#/343> and (2) the General Meeting at <https://spot-emeeting.tricor.hk/#/344>.

Tricor e-Meeting System will be open for Shareholders to log in approximately 30 minutes prior to the commencement of the Court Meeting and the General Meeting and can be accessed from any location with computers, mobile phones or any browser-enabled electronic or communication devices.

Login details for Shareholders: Shareholders will be able to view and listen to the Court Meeting and the General Meeting and submit questions online in accordance with the instructions as stated in the letter in respect of the Tricor e-Meeting System that accompanied this Scheme Document.

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Login details for Beneficial Owners or CCASS non-registered Shareholders: Beneficial Owners or CCASS non-registered Shareholders whose Shares are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (“HKSCC”) (together the “Intermediary”) can also view and listen to the Court Meeting and the General Meeting and submit questions online. In this regard, they should consult directly with their Intermediary for the necessary arrangements and the personalized login and access code will be sent to them upon receipt of request through their Intermediary.

No remote voting system is provided. For the avoidance of doubt, presence through the Tricor e-Meeting System is not counted as quorum or attendance of the Court Meeting and the General Meeting, and will not revoke any proxy instrument previously delivered to the Company by the same Shareholder.

VOTE BY APPOINTING A PROXY

The Company wishes to advise all Shareholders, particularly any Shareholders who are unable to attend the Court Meeting and the General Meeting in person in light of recent COVID-19 situation, that they may appoint any person or the chairman of the Court Meeting and/or the General Meeting as a proxy to attend and vote on any of the resolutions by completing and signing the enclosed **pink** form of proxy in respect of the Court Meeting (for Scheme Shareholders) and the enclosed **white** form of proxy in respect of the General Meeting (for Shareholders), in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof although it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting. The white form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted.**

Non-registered holders should contact their Intermediary as soon as possible for assistance in the appointment of proxy.

QUESTIONS AT OR PRIOR TO THE COURT MEETING AND THE GENERAL MEETING

Shareholders attending the Court Meeting and the General Meeting through the Tricor e-Meeting system may submit questions online during the Court Meeting and the General Meeting. Shareholders can also send their questions by email to ir@suchuanggas.com if they have any question about the relevant resolutions to be tabled in the Court Meeting and the General Meeting, as early as possible, before the date of the Court Meeting and the General Meeting. The Company will endeavour to reply as soon as possible.

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The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and the PRC government, and if necessary will make further announcement(s) in case of any update regarding the precautionary measures to be implemented at the Court Meeting and/or the General Meeting. Shareholders should check the latest policies and notices announced by the Hong Kong government, the PRC government, the website of the Company at <http://www.suchuanggas.com/> and the website of the Stock Exchange at <http://www.hkexnews.hk/> for future updates on the Court Meeting and the General Meeting arrangements.

If Shareholders have any administrative and/or logistical questions relating to the Court Meeting and the General Meeting, please contact Tricor Investor Services Limited, the Share Registrar of the Company, as follows:–

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: 2980 1333
Fax: 2810 8185
Email: is-enquiries@hk.tricorglobal.com

The Share Registrar will only answer administrative and/or logistical questions and will not give any advice on the Proposal. If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

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In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“Account Holder(s)”	a person who (a) is interested in Scheme Share(s) with all or some of the Scheme Share(s) being deposited in CCASS and registered under the name of HKSCC Nominees and (b) has maintained an account (or accounts) with CCASS Participant(s) to hold such Scheme Share(s) or is interested in such Scheme Share(s) as a CCASS Investor Participant.
“Account Holder Form”	the account holder form to be completed by the Account Holder for election of the Share Alternative, which is despatched to Shareholders together with this Scheme Document and can be downloaded from the website of the Company at http://www.suchuanggas.com/ and the website of the Stock Exchange at http://www.hkexnews.hk/ .
“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly.
“Action East”	Action East International Limited (明崙實業有限公司), a company incorporated in Hong Kong with limited liability and indirectly wholly owned by Prax Capital.
“Action East Deed of Consent and Waiver”	a deed of consent and waiver entered into by Action East on 25 August 2021 to, among other things, waive and release the right of first refusal and co-sale right as the only remaining surviving rights under the shareholders’ agreement in respect of the Company dated 26 February 2014 and entered into by Mr. Su Aping, Ms. Zhu Yaying, the Company, Action East and Fung Yu.
“Announcement”	the announcement dated 25 August 2021 issued jointly by the Offeror and the Company in relation to, among other things, the Proposal, the Scheme, the Option Offer, the Special Deal Agreement and the transactions contemplated thereunder.
“Announcement Date”	25 August 2021, being the date of the Announcement.

“Argus Holding”	Argus Holding Corporation, a company incorporated under the laws of the State of Delaware of the United States with limited liability, which is a direct wholly-owned subsidiary of the Company.
“Assignment”	the transfer and assignment of all of the Entrustment Minority Shareholders’ interests in the units in the trust product (信託產品) constituted under the Trust Arrangements to Taicang Natural Gas.
“Assignment and Set-off Agreement”	the assignment and set-off agreement to be entered into by the Entrustment Minority Shareholders, Nantong Suyou Gas, Taicang Natural Gas and Zhejiang Xinrun in respect of the Assignment and set off of debts owed by Zhejiang Xinrun to Nantong Suyou Gas.
“associate”	has the meaning ascribed to it in the Takeovers Code.
“Bank of Jiangsu”	Bank of Jiangsu Co., Ltd., Suzhou Pingjiang Sub-branch (江蘇銀行股份有限公司蘇州平江支行) or Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) when the context so requires.
“Bank of Nanjing”	Bank of Nanjing Co., Ltd., Nantong Branch (南京銀行股份有限公司南通分行) or Bank of Nanjing Co., Ltd. (南京銀行股份有限公司) when the context so requires.
“Beneficial Owner(s)”	beneficial owner(s) of the Shares registered in the name of a Registered Owner(s).
“Board”	the board of Directors.
“Business Day”	a day on which the Stock Exchange is open for the transaction of business.
“Cancellation Consideration”	the Cash Alternative or the Share Alternative.
“Cancellation Price”	the cancellation price of HK\$2.50 per Scheme Share.
“Cash Alternative”	HK\$2.50 for every Scheme Share in cash.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC.

“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 Participant”	a person admitted to participate in CCASS as a participant, including a CCASS Investor Participant.
“CICC”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation registered under the SFO licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal.
“Companies Act”	the Companies Act (2022 Revision), as consolidated and revised, of the Cayman Islands.
“Company”	Suchuang Gas Corporation Limited (蘇創燃氣股份有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1430).
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “4. Conditions to the Proposal and the Scheme” in “Part VIII – Explanatory Memorandum” of this Scheme Document.
“connected person”	has the meaning ascribed to it under the Listing Rules.
“Controlling Shareholders”	Fung Yu, Total Honest, Mr. Su Aping and Ms. Zhu Yaying.
“Controlling Shareholders Irrevocable Undertaking”	the irrevocable undertaking (不可撤銷承諾協議) given by the Controlling Shareholders on 25 August 2021 in respect of an aggregate of 337,684,000 Shares in favour of the Offeror.
“Controlling Shareholders’ Liabilities”	the compensation given by the Controlling Shareholders under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking to the Group and the Offeror for their losses as a result of (i) the Relevant Transactions, and (ii) any receivables of the Group due but unpaid as at the date of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking.

“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 10:00 a.m. on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix IX to this Scheme Document, or any adjournment thereof.
“CR Gas”	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1193).
“Custodian Agreement(s)”	the custodian agreement(s) dated 31 March 2022 entered into by each of Fung Yu and Total Honest with, among others, the Offeror and a custodian in respect of the share charge of the Shares beneficially owned by each of them in favour of the Offeror.
“Dazhong Group”	Dazhong (Hong Kong) and Shanghai Dazhong.
“Dazhong (Hong Kong)”	Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Shanghai Dazhong.
“Deed(s) of Mortgage and Assignment”	the deed(s) of mortgage and assignment dated 31 March 2022 entered into by each of Fung Yu and Total Honest with the Offeror in respect of the share charge of the Shares beneficially owned by each of them in favour of the Offeror.
“Director(s)”	the director(s) of the Company.
“Disinterested Share(s)”	Shares in issue as at the Meeting Record Date, other than those beneficially owned by the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Shares include Shares in issue as at the Meeting Record Date which are held by any member of the CICC group on a non-discretionary and non-proprietary basis for and on behalf of its clients.

“Disinterested Shareholder(s)”	the registered holder(s) of the Disinterested Shares. For the avoidance of doubt, the Disinterested Shareholders include any member of the CICC group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code.
“Disposal Group”	Suchuang Dunhua, Argus Holding, Suchuang Shanghai and their respective subsidiaries (excluding Kunshan Anda). For the avoidance of doubt, Kunshan Anda is not a subsidiary of the Disposal Group.
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act.
“Election Form”	the blue form of election to be completed by Scheme Shareholders for election of the Cash Alternative or the Share Alternative (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners), which is despatched to Shareholders together with this Scheme Document.
“Election Time”	4:30 p.m. on 28 June 2022, being the latest time by which the Scheme Shareholder may lodge the Election Form with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
“Encumbrances”	(a) any mortgage, security, pledge, charge, lien, trust, assignment by way of security, security interest, any third party interests or rights or any other categories of encumbrances or priority right granted to the third party, including but not limited to, granting any rights in a transaction, and even if it is not a security right under the relevant laws, it is similar to security rights in terms of financial or actual economic benefits; (b) any authorization, representative voting power, voting trust arrangement, share option, right of first offer, right of first negotiation, right of first refusal and other right to restrict assignment; and (c) rights to claim against encumbrance, ownership or right of use without legal title.
“Entrustment Minority Shareholders”	Shanghai Honglida and Ji Xian (吉嫻).

“Entrustment Minority Shareholders Irrevocable Undertakings”	the irrevocable undertakings (不可撤銷承諾協議) given by each of the Entrustment Minority Shareholders on 22 February 2022 in respect of the Shares which the Entrustment Minority Shareholders were interested in in favour of the Offeror.
“Entrustment Minority Shareholders Shares”	an aggregate of 22,398,000 Shares that the Entrustment Minority Shareholders are interested in.
“Estimate of Value”	the estimate of value of the HoldCo Shares set out in Appendix VII to this Scheme Document.
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof.
“exempt fund manager(s)”	has the meaning ascribed to it in the Takeovers Code.
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code.
“Explanatory Memorandum”	the explanatory memorandum set out in Part VIII of this Scheme Document.
“Form(s) of Acceptance”	the form(s) of acceptance and cancellation in respect of the Option Offer accompanying this Scheme Document despatched to Optionholders in connection with the Option Offer.
“Fung Yu”	Fung Yu Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.
“Fung Yu Cash Cancellation Consideration”	the cash cancellation consideration receivable by Fung Yu under the Scheme in respect of the 214,546,000 Shares held by Fung Yu under the Cash Alternative.
“General Meeting”	the extraordinary general meeting of the Company to be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, notice of which is set out in Appendix X to this Scheme Document, or any adjournment thereof.
“Grand Court”	the Grand Court of the Cayman Islands.
“Group”	the Company and its subsidiaries.

“Hankou Bank”	Hankou Bank Co., Ltd., Huangpi Branch (漢口銀行股份有限公司黃陂支行) or Hankou Bank Co., Ltd. (漢口銀行股份有限公司) when the context so requires.
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong.
“HKSCC”	Hong Kong Securities Clearing Company Limited.
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC.
“HoldCo”	Changjiangwei Limited, a business company incorporated in the British Virgin Islands with limited liability, which is and will continue to be wholly owned by the Offeror before the Scheme becomes effective.
“HoldCo Share(s)”	share(s) of HoldCo.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Hong Kong Transfer”	the Company selling, and Total Honest purchasing, the entire issued share capital of Suchuang Dunhua.
“Hua Xia Bank”	Hua Xia Bank Co., Ltd., Taicang Sub-branch (華夏銀行股份有限公司太倉支行) or Hua Xia Bank Co., Ltd. (華夏銀行股份有限公司) when the context so requires.
“Hubei Congrong”	Hubei Congrong Trading Co., Ltd.* (湖北琮融貿易有限公司), a company established under the laws of the PRC with limited liability.
“Hwabao”	Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a company established in the PRC and a qualified domestic institutional investor (QDII).
“Independent Financial Adviser” or “Essence”	Essence Corporate Finance (Hong Kong) Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Takeovers Code IBC in connection with the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals, and the Listing Rules IBC in connection with the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the Listing Rules and the Takeovers Code to abstain from voting at the General Meeting for the resolution approving the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (including the Controlling Shareholders and Mr. Li Jianyi).
“Inside Information Announcements”	the announcements of the Company dated 30 September 2021, 9 November 2021, 22 November 2021, 15 December 2021, 21 December 2021, 28 December 2021, 11 January 2022, 8 February 2022, 17 March 2022 and 28 April 2022 in relation to, among other things, certain pledges over bank deposits that two of the Company’s subsidiaries had entered into.
“Irrevocable Undertaking(s)”	the irrevocable undertaking(s) given by the IU Shareholders, each received by the Offeror on 25 August 2021 in respect of an aggregate of 675,068,000 Shares in favour of the Offeror.
“IU Shareholders”	the Controlling Shareholders, Dazhong (Hong Kong), Shanghai Dazhong and Action East, and for the avoidance of doubt, excluding the Minority IU Shareholders and the Entrustment Minority Shareholders.
“Jiangsu Tengxu”	Jiangsu Tengxu Energy Management Co., Ltd.* (江蘇騰旭能源管理有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of Taicang Natural Gas, which is in turn indirectly wholly owned by the Company.
“Kunshan Anda”	Kunshan Anda Natural Gas Development Co., Ltd.* (昆山安達天然氣發展有限公司), a company established in the PRC which is directly owned as to 80% by Suchuang Shanghai (which is in turn wholly owned by the Company), 10% by Shanghai Qintaiyuan Investment Co., Ltd.* (上海沁泰園投資有限公司), 5% by Mr. Gao Hai and 5% by Mr. Jia Zhiguo.

“Kunshan Loan”	the loan owed by Kunshan Anda to Suchuang Shanghai, being an unsecured interest-free loan with an outstanding balance of approximately RMB1.03 million based on Suchuang Shanghai’s audited pro-forma consolidated financial statements as of 30 June 2021, and as of the Latest Practicable Date, the outstanding balance was approximately RMB96,000.
“Kunshan Transfer”	Suchuang Shanghai selling, and Taicang Natural Gas purchasing, 80% of the equity interest of Kunshan Anda.
“KYC Documents”	(a) if the Scheme Shareholder is an individual, such Scheme Shareholder must provide (1) a certified true copy of each of (i) the Scheme Shareholder’s valid identity card or passport and (ii) proof of Scheme Shareholder’s residential address (which shall be issued during the three-month period immediately prior to the Effective Date), and (2) a duly completed personal declaration form; and (b) if the Scheme Shareholder is a corporation, it must provide (1) a certified true copy of each of (i) its certificate of incorporation, (ii) its constitutional document, (iii) its register of members and (iv) its register of directors, and (2) in respect of each individual who beneficially owns or is beneficially entitled to, on a look-through basis, 25% or more of the Scheme Shareholder, (i) a certified true copy of each such individual’s valid identity card or passport and proof of such individual’s residential address (which shall be issued during the three-month period immediately prior to the Effective Date), and (ii) a duly completed personal declaration form. The said personal declaration form will be made available to Scheme Shareholders during the offer period: (i) for download at http://www.suchuanggas.com/ ; and (ii) at the Company’s principal places of business in Hong Kong (30th Floor, One Taikoo Place, 979 King’s Road, Hong Kong) and the PRC (116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC).
“Last Trading Day”	13 August 2021, being the last trading day of Shares immediately before the suspension of trading in the Shares pending issuance of the Announcement.

“Latest Options Exercise Time”	4:30 p.m. on 12 May 2022, being the expected latest time upon which holders must lodge notices of exercise (accompanied by full payment of the exercise price) of their vested Share Options in order for Optionholders to qualify for entitlements under the Scheme.
“Latest Practicable Date”	29 April 2022, being the latest practicable date for ascertaining certain information contained in this Scheme Document.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Listing Rules IBC”	the independent board committee of the Company (comprising Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing) formed in accordance with the Listing Rules to advise the Independent Shareholders on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).
“Loan Agreement”	the loan agreement entered into between Xinjiang Dunhua as borrower and Kuqa Branch of Agricultural Development Bank of China as lender dated 9 July 2019 in relation to a loan of RMB60,000,000, out of which RMB5,000,000 was repaid on 19 November 2020 and 21 May 2021 respectively, RMB5,400,000 was repaid on 19 November 2021, RMB1,000,000 was repaid on 22 February 2022, and RMB1,000,000 was repaid on 10 March 2022, with the outstanding amount of the loan being approximately RMB39,860,000 as at the Latest Practicable Date.
“Long Stop Date”	31 August 2022 or such later date the Offeror may determine, subject to the consent of CICC (whose consent shall not be unreasonably withheld) and the permissions of the Grand Court and/or the Executive (as applicable).

“Meeting Record Date”	10 June 2022, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the General Meeting.
“Minority IU Shareholders”	Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (郝美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良).
“Minority IU Shareholders Cancellation Consideration”	an aggregate of approximately HK\$227 million at the Cancellation Price of HK\$2.50 per Share, being the sum of the cash cancellation consideration receivable by all the Minority IU Shareholders under the Scheme in respect of the Minority IU Shareholders Shares under the Cash Alternative.
“Minority IU Shareholders Custodian Agreement(s)”	the custodian agreement(s) dated 31 March 2022 entered into by each of the Minority IU Shareholders with, among others, the Offeror and a custodian in respect of the share charge of the Shares beneficially owned by each of them in favour of the Offeror.
“Minority IU Shareholders Deed(s) of Mortgage and Assignment”	the deed(s) of mortgage and assignment dated 31 March 2022 entered into by each of the Minority IU Shareholders with the Offeror in respect of the share charge of the Shares beneficially owned by the relevant Minority IU Shareholder in favour of the Offeror.
“Minority IU Shareholders’ Existing Debt”	the Minority IU Shareholders’ existing debt(s) that is secured by the Shares owned or held by the relevant Minority IU Shareholders.
“Minority IU Shareholders Irrevocable Undertakings”	the irrevocable undertakings (不可撤銷承諾協議) given by the Minority IU Shareholders on 22 February 2022 in respect of the Minority IU Shareholders Shares in favour of the Offeror.

“Minority IU Shareholders Loan Agreements”	the loan agreements dated 22 February 2022 entered into between each of the Minority IU Shareholders and the Controlling Shareholders in relation to the loan provided by the Minority IU Shareholders to the Controlling Shareholders.
“Minority IU Shareholders Shares”	90,810,000 Shares in aggregate held or owned by the Minority IU Shareholders as stated under the Minority IU Shareholders Irrevocable Undertakings.
“Nantong Suyou Gas”	Nantong Suyou Gas Co., Ltd.* (南通蘇油燃氣有限公司), a company established in the PRC and a wholly-owned subsidiary of Taicang Natural Gas, which is in turn an indirectly wholly-owned subsidiary of the Company.
“New Share(s)”	new HoldCo Shares, to be issued pursuant to the Proposal as fully paid and will rank <i>pari passu</i> with all the shares of the HoldCo.
“Offeror”	China Resources Gas (Hong Kong) Investment Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly owned by CR Gas.
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including but not limited to CR Gas, HoldCo, China Resources (Holdings) Company Limited, the Minority IU Shareholders, the Entrustment Minority Shareholders, Hwabao (in its capacity as trustee for the Entrustment Minority Shareholders) and the Controlling Shareholders.
“Option Lapsing Date”	12 July 2022, being the date on which any unexercised Share Options will lapse, subject to the Scheme becoming effective.
“Option Offer”	the offer made by the Offeror to the holders of the Outstanding Share Options.

“Option Offer Letter”	the letter to Optionholders setting out the terms and conditions of the Option Offer which is substantially in the form set out in “Appendix XI – Form of Option Offer Letter” to this Scheme Document.
“Option Offer Price”	the amount by which the Cancellation Consideration exceeds the relevant exercise price of that Share Option (or, where the relevant exercise price exceeds the Cancellation Consideration, a nominal amount of HK\$0.0001 for every Share Option), payable in cash by the Offeror to the holder of that Share Option on the terms and subject to the conditions of the Option Offer.
“Option Record Date”	17 June 2022, or such other date as shall have been announced to the Shareholders and the Optionholders, being the record date for the purposes of determining entitlements of the Optionholders in respect of which the underlying Shares have not been registered in the name of the relevant holder, to the Option Offer.
“Optionholder(s)”	holder(s) of the Share Options.
“Outstanding Share Option(s)”	the outstanding Share Option(s), whether vested or unvested.
“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company limited by shares incorporated in the PRC with limited liability whose H shares are listed on the Stock Exchange (stock code: 857), and/or its subsidiaries.
“Pledge Document(s)”	the pledge agreement(s) dated 4 March 2022 entered into by each of the Entrustment Minority Shareholders in favour of Taicang Natural Gas in respect of their respective beneficial interests in the Shares held through the Trust Arrangements.
“Prax Capital”	Prax Capital China Growth Fund III, L.P., a limited partnership established in the Cayman Islands.
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and the Taiwan province).

“Proposal”	the proposal for the take-private of the Company by the Offeror by way of the Scheme and the Option Offer, the cancellation of all Scheme Shares and the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document.
“Refunds”	the refunds for paid but undelivered supplies due from Zhejiang Xinrun to Nantong Suyou Gas.
“Registered Owner(s)”	holder(s) of Shares (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of Shares.
“Relevant Liabilities”	the liabilities incurred and losses sustained by the Offeror and the Group as a result of (i) the Relevant Transactions, and (ii) any receivables of the Group due but unpaid of approximately RMB576,532,900 as at the date of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking.
“Relevant Period”	the period commencing on the date which is six months prior to the Announcement Date (i.e. 25 February 2021) and ending on the Latest Practicable Date, both dates inclusive.
“Relevant Transactions”	the deposit pledged contracts, electronic commercial acceptance bill and guarantees entered into by two of the Company’s subsidiaries as disclosed in the Company’s announcements dated 30 September 2021, 9 November 2021, 22 November 2021, 15 December 2021, 21 December 2021, 28 December 2021, 11 January 2022, 8 February 2022, 17 March 2022 and 28 April 2022 which in aggregate amounted to approximately RMB364,000,000.
“RMB”	Renminbi, the lawful currency of the PRC.

“Scheme”	a scheme of arrangement proposed under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares.
“Scheme Document”	this composite scheme document jointly issued by the Company and the Offeror, including each of the letters, statements, memorandum, appendices and notices in it.
“Scheme Record Date”	17 June 2022, or such other date as shall have been announced to the Shareholders, being the record date for the purposes of determining entitlements of the Scheme Shareholders under the Scheme.
“Scheme Share(s)”	the Share(s) in issue on the Scheme Record Date held by the Scheme Shareholders.
“Scheme Shareholder(s)”	the registered holder(s) of Scheme Shares as at the Scheme Record Date.
“Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Shanghai Dazhong”	Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600635) and the Stock Exchange (stock code: 1635).
“Shanghai Honglida”	Shanghai Honglida Industrial Co., Ltd.* (上海弘力達實業有限公司), a company established in the PRC with limited liability.
“Shanghai Transfer”	Suchuang Hong Kong selling, and Total Honest purchasing, the entire registered share capital of Suchuang Shanghai.

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company.
“Share Alternative”	one New Share for every Scheme Share.
“Share Option(s)”	the share option(s) granted under the Share Option Scheme from time to time.
“Share Option Scheme”	the share option scheme of the Company conditionally adopted on 16 February 2015 which became effective on 11 March 2015, which was established for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations, scheme mandate limit of which was refreshed on 12 September 2017.
“Share Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong.
“Shareholder(s)”	registered holder(s) of the Shares.
“Single Consideration Election Measure”	the measure as set out in the section headed “Single Consideration Election Measure” in “2. Terms of the Proposal” of the Explanatory Memorandum.
“Sinopec”	China Petroleum & Chemical Corporation (中國石油化工有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Stock Exchange (stock code: 386), and/or its subsidiaries.
“Special Deal Agreement”	the asset reorganisation agreement (資產重組協議) entered into by the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas on 25 August 2021 pursuant to which the parties agreed to purchase and sell certain subsidiaries of the Company and to settle certain intra-group loans.
“Special Deal Completion”	completion of the Special Deals pursuant to the terms and conditions of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement).

“Special Deals”	the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer).
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules.
“Suchuang Dunhua”	Suchuang Dunhua Environmental Technology Company Limited (蘇創敦華環境科技有限公司), a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of the Company.
“Suchuang Hong Kong”	China Suchuang Energy Co., (Hong Kong) Limited (中國蘇創能源(香港)有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company.
“Suchuang Shanghai”	Suchuang Gas (Shanghai) Co., Ltd.* (蘇創燃氣(上海)有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Suchuang Hong Kong, which is in turn wholly-owned by the Company.
“Suchuang Shanghai Loan”	the interest-free loan between Suchuang Shanghai (as borrower) and Taicang Natural Gas (as lender) with an outstanding balance of approximately RMB305.42 million based on its audited pro-forma consolidated financial statements as of 30 June 2021, and as of the Latest Practicable Date, the outstanding balance was approximately RMB280.53 million.
“Supplemental Agreement to Action East Irrevocable Undertaking”	the supplemental agreement to the Irrevocable Undertaking entered into by the Offeror and Action East on 14 March 2022 to amend certain terms of the Irrevocable Undertaking entered into by the Offeror and Action East on 25 August 2021.

“Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking”	the supplemental agreement to the Controlling Shareholders Irrevocable Undertaking entered into by the Offeror and the Controlling Shareholders on 22 February 2022 to amend certain terms of the Controlling Shareholders Irrevocable Undertaking.
“Supplemental Agreement to Dazhong Irrevocable Undertaking”	the supplemental agreement to the Irrevocable Undertaking entered into by the Offeror, Dazhong (Hong Kong) and Shanghai Dazhong on 14 March 2022 to amend certain terms of the Irrevocable Undertaking entered into by the Offeror and Dazhong (Hong Kong) on 25 August 2021.
“Supplemental Agreement to Special Deal Agreement”	the supplemental agreement to the Special Deal Agreement entered into by the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas on 14 March 2022 to amend certain terms of the Special Deal Agreement.
“Supplemental Agreements”	the Supplemental Agreement to Action East Irrevocable Undertaking, the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, the Supplemental Agreement to Dazhong Irrevocable Undertaking and the Supplemental Agreement to Special Deal Agreement.
“Supplemental Arrangements”	the Supplemental Agreements, the Minority IU Shareholder Irrevocable Undertakings, the Entrustment Minority Shareholders Irrevocable Undertakings, the Deeds of Mortgage and Assignment, the Minority IU Shareholders Deeds of Mortgage and Assignment, the Minority IU Shareholders Loan Agreements, the Pledge Documents, the Transfer Agreements and the Assignment and Set-off Agreement.
“Taicang Natural Gas”	Taicang Natural Gas Co., Ltd.* (太倉市天然氣有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Suchuang Hong Kong, which is in turn wholly owned by the Company.
“Taicang Suchuang”	Taicang Suchuang Liquid Petroleum Gas Co., Ltd.* (太倉蘇創液化氣有限公司), a company established under the laws of the PRC with limited liability.

“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong.
“Takeovers Code IBC”	the independent board committee (comprising Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing) of the Company established by the Board in accordance with the Takeovers Code to make a recommendation to the Disinterested Shareholders, Independent Shareholders and the Optionholders in respect of the Proposal, the Scheme, the Option Offer and the Special Deals.
“Total Honest”	Total Honest International Investment Ltd (誠創國際投資有限公司), a company incorporated in the British Virgin Islands with limited liability.
“Total Honest Cash Cancellation Consideration”	the cash cancellation consideration receivable by Total Honest under the Scheme in respect of the 123,138,000 Shares held by Total Honest under the Cash Alternative.
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities.
“Transfer Agreements”	the two trust beneficial rights transfer agreements (信託受益權轉讓協議) to be entered into by Shanghai Honglida and Ji Xian, respectively, with Taicang Natural Gas and Zhejiang Xinrun.
“Trust Arrangements”	the two trust agreements dated 28 February 2015 and 4 March 2015 entered into by Ji Xian (吉嫻) and Shanghai Honglida, respectively, with Hwabao in relation to, among other things, the Shares that Ji Xian and Shanghai Honglida are interested in as held by Hwabao as trustee for Ji Xian and Shanghai Honglida, respectively.
“UK”	United Kingdom of Great Britain and Northern Ireland.
“US” or “United States”	United States of America.
“US Loan”	the interest-free loan between Argus Holding (as borrower) and the Company (as lender) with an outstanding balance of approximately US\$13.73 million based on its audited consolidated financial statements as of 30 June 2021, and as of the Latest Practicable Date, the outstanding balance was approximately US\$13.88 million.

“US Transfer”	the Company selling, and Total Honest purchasing, the entire issued share capital of Argus Holding.
“US\$”	US dollar(s), the lawful currency of the US.
“Valuer”	International United Consulting & Appraisal Limited (大同國際評估諮詢有限公司), an independent valuer.
“Xinjiang Dunhua”	Xinjiang Dunhua Gas Engineering Technology Co., Ltd.* (新疆敦華氣體工程技術有限公司), a company established in the PRC with limited liability and a subsidiary directly owned as to 51% by Suchuang Shanghai, which is in turn indirectly wholly owned by the Company, and 49% by Xinjiang Dunhua Green Petroleum Technology Co., Ltd.* (新疆敦華綠碳技術股份有限公司), a company established in the PRC with limited liability.
“Xinjiang Dunhua Loan”	a portion of the loan under the Loan Agreement in the amount of RMB50 million.
“Zhejiang Xinrun”	Zhejiang Free-trade Zone Xinrun Tong Chuang Neng Yuan Co., Ltd.* (浙江自貿區鑫潤同創能源有限公司), a company established in the PRC with limited liability.

* *For identification purposes only*

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document 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.

ACTION TO BE TAKEN BY SHAREHOLDERS**Court Meeting and General Meeting**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from 3 June 2022 to 10 June 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 2 June 2022.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Shares may obtain the relevant proxy form from the transferor or the website of the Stock Exchange if they wish to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof although it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting. The white form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted.** The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the General Meeting. We therefore strongly urge you to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting by no later than 7:00 p.m. on 10 June 2022. If all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Election Form

An election of the Cash Alternative or the Share Alternative may be made by Scheme Shareholders in connection with their respective shareholdings in the Company, and Scheme Shareholders shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names at the Scheme Record Date, and deliver the duly completed and executed Election Form (and for Scheme Shareholder who elects the Share Alternative, the KYC Documents) to the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28 June 2022 or such later date and time as may be notified through announcement. Together with the lodging of a duly completed and executed Election Form, if a Scheme Shareholder wishes to elect for the Share Alternative, the Scheme Shareholder must also lodge the KYC Documents (which shall be in English or accompanied by an English translation which is certified as a true translation) to comply with the relevant anti-money laundering requirements of the British Virgin Islands.

No such election shall be valid (and in that case the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects. Any election of Share Alternative by a Scheme Shareholder should also be accompanied by the KYC Documents or such additional evidence or documents as may be required by the Offeror and the Company for the purpose of complying with the relevant anti-money laundering requirements of the British Virgin Islands, failing which such election shall not be valid unless otherwise agreed with the Offeror and will instead receive the Cash Alternative if the Scheme becomes effective.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting and the General Meeting, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Proposal respectively. The Election Form is for Scheme Shareholders to elect the Cash Alternative or the Share Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement). The election is subject to the Scheme being sanctioned and becoming effective.

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. **An Election Form shall be irrevocable and incapable of being withdrawn unless the Offeror expressly consents in writing to such withdrawal or revocation.** The Offeror shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and in that case the relevant Scheme Shareholder will receive the Cash Alternative). In addition, the Offeror shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid,

provided that the Offeror in its absolute discretion considers the omissions or errors to be immaterial. The Offeror shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

Any Scheme Shareholder (1) who has not returned an Election Form as described above before the prescribed time or such later date and time as may be notified through announcement, (2) who has returned an Election Form which is not duly completed or executed nor valid in accordance with the terms of the Scheme, or (3) who has returned an Election Form but has failed to submit such KYC Documents as required herein or by the Offeror will receive the Cash Alternative subject to the Scheme being sanctioned and becoming effective.

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Save as provided in relation to HKSCC Nominees, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or the Share Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Scheme Record Date.

In respect of any Scheme Shares which are held by HKSCC Nominees, persons who are interested in such Scheme Shares should note that if they wish to elect for the Share Alternative in respect of such Shares, they would need to comply with the Single Consideration Election Measure as further set out below.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS

Court Meeting and General Meeting

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated in “Part III – Expected Timetable” of this Scheme Document. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participants, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the

General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Registered Owner, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the General Meeting (as a Shareholder). You can become a Registered Owner by withdrawing all or any of your Shares from CCASS and transferring and registering such Shares in your own name. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

Only Scheme Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as Scheme Shareholders for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under “for” and as one Shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for the purpose of ascertaining whether a majority in number of Scheme Shareholders have approved the Scheme should make arrangements to withdraw their Scheme Shares (or a board lot) from CCASS and become a Registered Owner as a member of the Company in their own name prior to the Meeting Record Date.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BEFORE OR BE REPRESENTED AT THE HEARING OF THE PETITION IN THE GRAND COURT WHICH IS EXPECTED TO BE ON 11 JULY 2022 (CAYMAN ISLANDS TIME), AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

Election of Cash Alternative or Share Alternative

Any Beneficial Owner should submit or make arrangements with his, her or its nominee or trustee to submit his/her/its election instruction to the CCASS Participant(s) through which he/she/it hold his/her/its Scheme Shares on or before such time as notified by his/her/its CCASS Participant(s) for the purpose of electing the Cash Alternative or Share Alternative in respect of all the Scheme Shares which he/she/it is interested in.

Furthermore, save as otherwise provided in this Scheme Document or in the Account Holder Form, an Account Holder who holds all or part of the Scheme Shares which such Account Holder is interested in through CCASS and wishes to elect for the Share Alternative in respect of all the Scheme Shares which such Account Holder is (or, if the Account Holder is a nominee or custodian, a Beneficial Owner is) interested in must also comply with the Single Consideration Election Measure, including but not limited to the completion, signing and returning of, no later than 4:30 p.m. on 28 June 2022 (the “**Form Cut-off Time**”), both (1) a copy of the Account Holder Form to the Company’s Share Registrar by email to is-suchuang_election@hk.tricorglobal.com, with the Relevant CCASS Participants being copied in the same email; and (2) the original of the Account Holder Form to the Company’s Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

FAILURE TO COMPLY WITH THE SINGLE CONSIDERATION ELECTION MEASURE WOULD RENDER THE ELECTION OF SHARE ALTERNATIVE BY SUCH ACCOUNT HOLDER (OR THE BENEFICIAL OWNER, AS APPROPRIATE) BEING REJECTED AND THE ACCOUNT HOLDER (OR THE BENEFICIAL OWNER, AS APPROPRIATE) WILL RECEIVE THE CASH ALTERNATIVE FOR ALL OF ITS INTERESTS IN THE SCHEME SHARES SUBJECT TO THE SCHEME BEING SANCTIONED AND BECOMING EFFECTIVE.

Actions to be taken by Optionholders

The Option Offer Letter is being sent to each Optionholder separately on the same date as this Scheme Document. Optionholders should refer to those letters, the form of which is set out in Appendix XI to this Scheme Document. Any Optionholder who wishes to accept the Option Offer must complete and return the duly completed and executed Form of Acceptance by 4:00 p.m. on 12 July 2022 (or such later date and time as may be notified to the Optionholders by the Offeror, CICC and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange), delivered to the Offeror, care of Suchuang Gas Corporation Limited at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, 215400 for the attention of the Company Secretarial Department of the Company and marked “Suchuang Gas Corporation Limited – Option Offer”. No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

The Optionholders should also note the instructions and other terms and conditions of the Option Offer printed on the Option Offer Letter and the Form of Acceptance.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING.

IF YOU WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, YOU SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF YOUR SHARES PRIOR TO THE MEETING RECORD DATE. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAM, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE GENERAL MEETING WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN – ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE. YOU SHOULD ALSO REMIND THE RELEVANT BENEFICIAL OWNERS THAT IF THEY WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, THEY SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF THEIR SHARES.

IF YOU ARE AN OPTIONHOLDER, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO REFER TO THE TERMS AND CONDITIONS SET OUT IN THE OPTION OFFER LETTER AND RETURN A DULY COMPLETED FORM OF ACCEPTANCE IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE OPTION OFFER LETTER SHOULD YOU DECIDE TO ACCEPT THE OPTION OFFER.

EACH OPTIONHOLDER HAS BEEN NOTIFIED OF THE EVENT REFERRED TO IN CLAUSE 15.2 OF THE SHARE OPTION SCHEME IN ACCORDANCE WITH THE SHARE OPTION SCHEME. ACCORDING TO CLAUSE 11.1(F) OF THE SHARE OPTION SCHEME, ALL SHARE OPTIONS SHALL LAPSE (TO THE EXTENT NOT ALREADY EXERCISED), IN THE CASE OF CLAUSE 15.2 OF THE SHARE OPTION SCHEME, ON THE EXPIRY OF THE 21-DAY PERIOD STATED THEREIN, PROVIDED THAT THE SCHEME BECOMES EFFECTIVE. THE LAPSE OF ANY SHARE OPTION(S) AFTER THE DATE ON WHICH THE OPTION OFFER IS MADE SHALL NOT IMPACT THE OPERATION AND VALIDITY OF THE OPTION OFFER AND ANY VALID ACCEPTANCE THEREOF.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

*Timetable subject to change***Hong Kong Time unless indicated otherwise**

Date of despatch of this Scheme DocumentWednesday, 4 May 2022

Date of despatch of the Option Offer Letter
for the Option OfferWednesday, 4 May 2022

Latest time for Optionholders to lodge notices of exercise
(accompanied by full payment of the exercise price)
of their vested Share Options in order to
become a Shareholder entitled to attend and
vote at the Court Meeting and the General Meeting^(Note 1)4.30 p.m. on
Thursday, 12 May 2022

Latest time for lodging transfers of Shares in order to
become a Shareholder entitled to attend and vote at the
Court Meeting and/or the General Meeting4.30 p.m. on Thursday,
2 June 2022

Register of members of the Company closed for
determination of entitlements of Scheme Shareholders
to attend and vote at the Court Meeting and of Shareholders
to attend and vote at the General Meeting^(Note 2)from Friday,
3 June 2022
to Friday,
10 June 2022
(both days inclusive)

Latest time for lodging forms of proxy in respect of^(Note 3)

- Court Meeting10:00 a.m. on Wednesday,
8 June 2022
- General Meeting10:30 a.m. on Wednesday,
8 June 2022

Meeting Record DateFriday, 10 June 2022

Court Meeting^(Note 4)10:00 a.m. on Friday, 10 June 2022

General Meeting^(Note 4)10:30 a.m. on Friday, 10 June 2022
(or immediately after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting and the General Meeting posted on the website of the Stock Exchange and the website of the Company	no later than 7:00 p.m. on Friday, 10 June 2022
Expected latest time for trading in the Shares on the Stock Exchange	4:10 p.m. on Monday, 13 June 2022
Latest time for lodging transfer of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Thursday, 16 June 2022
Register of members of the Company closed for determining Scheme Shareholders qualified for entitlements under the Scheme ^(Note 5)	from Friday, 17 June 2022 onwards
Scheme Record Date and Option Record Date	Friday, 17 June 2022
Election Time (being latest time for lodging the Election Form for election of the Cash Alternative or the Share Alternative) and the latest time for lodging the Account Holder Form ^(Note 6)	4:30 p.m. on Tuesday, 28 June 2022
Grand Court hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company involved in the Scheme (the “Grand Court Hearing”)	Monday, 11 July 2022 (Cayman Islands time)
Announcement of the results of the court hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company involved in the Scheme, the expected Effective Date and the expected date of withdrawal of listing of Shares on the Stock Exchange	at or before 8:30 a.m. on Tuesday, 12 July 2022
Latest time and date for lodging the Form of Acceptance for the acceptance of the Option Offer ^(Note 7)	4:00 p.m. Tuesday, 12 July 2022

Effective Date^(Note 8) Tuesday, 12 July 2022
(Cayman Islands time)

Option Lapsing Date^(Note 9) Tuesday, 12 July 2022
(Cayman Islands time)

Announcement of the Effective Date, the withdrawal
of the listing of the Shares on the Stock Exchange
and the results of the Option Offer at or before 8:30 a.m.
on Wednesday,
13 July 2022

Expected withdrawal of the listing of Shares on
the Stock Exchange becoming effective 9.00 a.m. on Thursday,
14 July 2022

Latest time to despatch cheques for cash entitlements
and share certificates for share entitlement under the Scheme,
and cheques for cash payment for valid acceptances
under the Option Offer^(Note 10) on or before Thursday,
21 July 2022

Notes:

1. These denote the recommended latest time, which are based on the time estimated by the Company to complete the required processes to issue the underlying Shares before the Meeting Record Date or the Scheme Record Date (as the case may be). For any Share Options being exercised (as the case may be) after the Latest Options Exercise Time but before the Scheme Record Date, the Offeror and the Company may at their sole discretion issue or transfer (as the case may be) the underlying Shares to the holders so that they can qualify for entitlements under the Scheme before the Scheme Record Date.
2. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
3. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment hereof although it may alternatively be handed to the chairman of the Court Meeting for the Court Meeting. The **white** form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude a Scheme Shareholder or Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In the event that the Scheme Shareholder or Shareholder (as the case may be) attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy will be revoked by operation of law.

4. For further details relating to the Court Meeting and the General Meeting, please see the notice of Court Meeting set out in Appendix IX to this Scheme Document and the notice of General Meeting set out in Appendix X to this Scheme Document.
5. The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Election Form, duly completed in accordance with the instructions thereon, must be lodged with the Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong, not later than the time and date stated above (or such later time and/or date as may be notified through announcement(s)), failing which an Election Form shall not be treated as valid and the Shareholders purporting to make the election shall not, for any purpose, be entitled to receive the Share Alternative but shall instead receive the Cash Alternative if the Scheme becomes effective. Any election of Share Alternative by a Scheme Shareholder should also be accompanied by such KYC Documents as set out in this Scheme Document or such additional evidence or documents as may be required by the Offeror, failing which such election shall not be valid and the Scheme Shareholder will instead receive the Cash Alternative if the Scheme becomes effective.
7. Forms of Acceptance, duly completed in accordance with the instructions on them, must be delivered to the Offeror, care of Suchuang Gas Corporation Limited at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, 215400 for the attention of the Company Secretarial Department of the Company and marked "Suchuang Gas Corporation Limited – Option Offer" not later than 4:00 p.m. on Tuesday, 12 July 2022 (or such later date as may be notified by the Offeror, CICC and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).
8. The Scheme shall become effective upon all the Conditions set out in the section headed "4. Conditions to the Proposal and the Scheme" in "Part VIII – Explanatory Memorandum" of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
9. In accordance with the terms of the Share Option Scheme, subject to the Scheme becoming effective, all Share Options not yet exercised by the Latest Option Exercise Time will lapse on the Option Lapsing Date.
10. Cheques for the cash entitlement in respect of the Cash Alternative or share certificates for HoldCo Shares in respect of the Share Alternative will be sent within seven Business Days of the Effective Date. Cheques for cash payment under the Option Offer in respect of validly completed Forms of Acceptance received before 4:00 p.m. on Tuesday, 12 July 2022 will be despatched by post within seven Business Days following the Effective Date or receipt of such validly completed Forms of Acceptance, whichever is the later. Such cheques or share certificates will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such registers in respect of the joint holding. All such cheques or share certificates will be posted at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, the Independent Financial Adviser, the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in despatch.

Unless the context otherwise requires, all references in this document to:

- (a) times and dates are references to Hong Kong times and dates, except as otherwise specified;
- (b) pronouns in masculine, feminine or neuter genders are to be construed to state and include any other gender; and
- (c) words, terms and titles in the singular form are to be construed to include the plural and vice versa.

References to the expected dates of the Grand Court Hearing and the Effective Date are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

All percentages stated in this document are approximations and certain amounts and percentage figures included in this document 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.

This document is prepared in both English and Chinese. In the event of inconsistency, save for “Appendix IIIA – Valuation Report”, the English text will prevail. In respect of “Appendix IIIA – Valuation Report”, in case of any inconsistency, the Chinese version of Appendix IIIA shall prevail over the English version.



蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED

蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1430)

Executive Directors:

Ms. Su Yi (Chairman)

Mr. Du Shaozhou

Ms. Su Wen

Mr. Li Jianyi

Registered Office:

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Directors:

Mr. Xu Lei

Mr. Jin Bo

*Principal Place of Business
in Hong Kong:*

30th Floor

One Taikoo Place

979 King's Road

Hong Kong

Independent Non-executive Directors:

Mr. Zhou Qingzu

Mr. Zhu Tong

Mr. Feng Yijing

4 May 2022

To the Shareholders and Optionholders

Dear Sir/Madam,

- (1) PROPOSAL FOR THE TAKE-PRIVATE OF SUCHUANG GAS CORPORATION LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT**
- (2) PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**
- (3) PROPOSED WITHDRAWAL OF LISTING**
- (4) IRREVOCABLE UNDERTAKINGS BY THE IU SHAREHOLDERS, MINORITY IU SHAREHOLDERS AND ENTRUSTMENT MINORITY SHAREHOLDERS TO APPROVE THE PROPOSAL**
- AND**
- (5) SPECIAL DEALS, CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO THE PROPOSED ASSETS DISPOSAL**

1. INTRODUCTION

Reference is made to the Announcement. On 16 August 2021, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the take-private of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. Upon completion of the Proposal, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative) and the listing of the Shares will be withdrawn from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, one new Share will be allotted and issued to the Offeror and the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Option Offer, the expected timetable and the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and to give you notices of the Court Meeting and the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (A) the letter from the Takeovers Code IBC set out in Part V of this Scheme Document; (B) the letter from the Listing Rules IBC set out in Part VI of this Scheme Document; (C) the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document; (D) the Explanatory Memorandum set out in Part VIII of this Scheme Document; (E) the terms of the Scheme set out in Appendix VIII to this Scheme Document; and (F) the form of the Option Offer Letter set out in Appendix XI to this Scheme Document.

2. TERMS OF THE PROPOSAL

Cancellation Consideration

The Proposal is implemented by way of the Scheme. The Scheme provides that, if it becomes effective, the Scheme Shares will be cancelled in exchange for either:

- (a) the **Cash Alternative**: cash of HK\$2.50 for every Scheme Share; or
- (b) the **Share Alternative**: one New Share for every Scheme Share.

The Scheme Shareholders may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Effective Date (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make any election or whose elections are invalid (by choosing both the Cash Alternative and the Share Alternative or choosing the Share Alternative but failing to provide the KYC Documents required) will receive the Cash Alternative. Scheme Shareholders who wish to elect the Share Alternative must lodge KYC Documents as detailed in the section headed "The Share Alternative" below. Scheme Shareholders who choose the Share Alternative will not be required to sign any other agreement.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the amount or value of such net dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced (and the price of the Option Offer shall be reduced accordingly). The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date. As at the Latest Practicable Date, the Company has no declared but unpaid dividends.

The HoldCo has been established for the purpose of the Proposal. The HoldCo has one share in issue. The actual number of New Shares to be issued under the Share Alternative will be determined after the latest time for the election of the Cash Alternative or the Share Alternative. Assuming (i) the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) elect (or give instruction to elect) the Cash Alternative pursuant to the Controlling Shareholders Irrevocable Undertaking, the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings and (ii) no Outstanding Share Options were exercised before the Option Record Date, if all the other Scheme Shareholders elect the Share Alternative, 452,190,000 New Shares will be issued, representing approximately 99.99% of the enlarged issued shares of the HoldCo after issuance of the New Shares upon completion of the Proposal. The Company will be owned by the Offeror and HoldCo as to 49.93% and 50.07%, respectively. One HoldCo share held by the Offeror will then be repurchased and cancelled by HoldCo upon the Scheme becoming effective.

No fractions of a cent will be payable and the amount of cash consideration payable to the Scheme Shareholders who have elected the Cash Alternative or the Optionholders who have accepted the Option Offer will be rounded up to the nearest cent. Fractions of New Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

Save as disclosed in the section headed “6. Shareholding Structure of the Company” in this “Letter from the Board”, none of the Offeror and the Offeror Concert Parties holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

The Cash Alternative

The cash consideration of HK\$2.50 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 2.88% over the closing price of HK\$2.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.15% over the average closing price of approximately HK\$2.03 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 25.63% over the average closing price of approximately HK\$1.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 23.76% over the average closing price of approximately HK\$2.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 30.21% over the audited net asset value per Share attributable to the Shareholders in the Company of approximately HK\$1.92 as at 31 December 2020, based on the total number of issued Shares as at 31 December 2020 and the exchange rate of HK\$1.00 to RMB0.84164 as quoted by the People's Bank of China on 31 December 2020;
- a premium of approximately 96.85% over the unaudited net asset value per Share attributable to the Shareholders in the Company of approximately HK\$1.27 as at 30 June 2021, based on the total number of issued Shares as at 30 June 2021 and the exchange rate of HK\$1.00 to RMB0.83208 as quoted by the People's Bank of China on 30 June 2021; and
- a premium of approximately 3.31% over the closing price of HK\$2.42 per Share as quoted on the Stock Exchange on 24 September 2021 (being the last trading day of the Shares immediately before the suspension of trading in the Shares since 27 September 2021).

Highest and lowest prices

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.43 on 13 August 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.92 on 14 May 2021.

During the twelve-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.02 on 14 August 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.77 on 2 February 2021.

In the paragraphs above headed “The Cash Alternative” and “Highest and lowest prices”, the historical closing prices per Share mentioned as quoted on the Stock Exchange were obtained from the website of the Stock Exchange (<https://www.hkex.com.hk/>) on the Last Trading Day, and thus have been adjusted for corporate actions and entitlement events including special dividends based on adjustment methods adopted by the Stock Exchange. Please refer to the website of the Stock Exchange for the adjustment method of historical securities prices.

The Cancellation Price had been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other take-private transactions in Hong Kong in recent years.

The Share Alternative

The HoldCo Shares are shares of a business company incorporated in the British Virgin Islands which is an unlisted, investment holding company with limited liability. Before the Scheme becomes effective, the Offeror is and will continue to be the sole shareholder of HoldCo, legally and beneficially owning one HoldCo Share.

The actual number of New Shares to be issued under the Share Alternative will be determined after the latest time for the election of the Cash Alternative or the Share Alternative. Fractions of New Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

Following the Effective Date, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative), and the value of the HoldCo Shares will primarily be determined by the value of the Scheme Shares, with an announced price of HK\$2.50 per Share under the Cash Alternative. Details of the estimate of value of the HoldCo Shares are set out in Appendix VII to this Scheme Document.

The New Shares to be issued pursuant to the Proposal will be issued free from all Encumbrances, credited as fully paid up and will rank *pari passu* with the existing HoldCo Shares at the date of issue.

Together with the lodging of a duly completed and executed Election Form, if a Scheme Shareholder wishes to elect the Share Alternative, such Scheme Shareholder must also lodge the KYC Documents to comply with the relevant anti-money laundering requirements of the British Virgin Islands (which shall be in English or accompanied by an English translation which is certified as a true translation). The Offeror and the Company reserve the discretion to request for additional evidence or documents as may be required for the purpose of complying with the relevant anti-money laundering requirements of the British Virgin Islands.

The HoldCo

After completion of the Proposal, the board of HoldCo will consist of three directors. A director of HoldCo may be removed by ordinary resolution, provided that any such ordinary resolution of a duly constituted general meeting of HoldCo must be passed by a simple majority of the votes cast by, or on behalf of, the shareholders of HoldCo entitled to vote in favour of the resolution.

Before the Scheme becomes effective, the board of HoldCo consists of three directors, namely Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe. Mr. Ge Bin is also a director of CR Gas and Mr. Li Xiaoshuang is also a director of the Offeror. After the completion of the Proposal and there being any Scheme Shareholder accepting the Proposal and validly electing the Share Alternative, Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe will resign from the directorship of the HoldCo, HoldCo will hold an extraordinary general meeting at which Scheme Shareholders choosing the Share Alternative will elect new directors, and the one HoldCo Share held by the Offeror will be repurchased and cancelled by HoldCo.

After completion of the Proposal, as the Company will only have two shareholders i.e. the Offeror and HoldCo, and the Company will cease to be listed on the Stock Exchange. The rights of the Offeror and HoldCo as shareholders of the Company would then be governed by the Companies Act and other applicable laws of the Cayman Islands and the memorandum and articles of association of the Company.

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and section 4.2 of the Introduction to Takeovers Code provides that in order to determine whether a company is a public company in Hong Kong, the Executive will take into account the number of Hong Kong shareholders and the extent of share trading in Hong Kong and other factors. If HoldCo is determined by the Executive to be a “public company in Hong Kong”, HoldCo will be subject to the Takeovers Code.

A copy of the memorandum and articles of association of HoldCo will be available for inspection as a document on display at the time of despatch of this Scheme Document.

The Company (following the Effective Date)

Following the Effective Date, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative).

The shareholders of the Company are entitled to receive notice of general meetings of the Company and shall have the right to one vote per Share at such meetings. There is no dividend policy and no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Shares. Payment of dividends (if any) is dependent solely on whether such payment is recommended or declared by the board of the Company.

The shareholders of the Company would have their rights and obligations in relation to the Company governed by the provisions of the memorandum and articles of association of the Company, the provisions of the Companies Act (as amended, supplemented or otherwise modified from time to time) and other applicable laws in the Cayman Islands. The Company shall, on receipt of an instrument of transfer, enter the name of the transferee of the Shares in the register of shareholders in accordance with and subject to the provisions of its articles of association.

After completion of the Proposal, the board of the Company will consist of no less than 2 and no more than 10 directors. A director of the Company may be removed by ordinary resolution, provided that any such ordinary resolution of a duly constituted general meeting of the Company must be passed by a simple majority of the votes cast by, or on behalf of, the shareholders of the Company entitled to vote in favour of the resolution.

After completion of the Proposal, the Directors may call a general meeting of the shareholders of the Company at any time. The Directors must also call a general meeting if a requisition in writing is given by one or more shareholders of the Company who together hold at least 10% of the rights to vote at such general meeting. Should the Directors fail to call a general meeting within 21 clear days from the date of receipt of a requisition, the requisitioners or any of them may call a general meeting within three months after the end of that period.

After completion of the Proposal, pursuant to the articles of association of the Company, a special resolution may be passed by at least 75% of its shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given or in writing by all of the shareholders entitled to vote at a general meeting. Matters requiring the authority of a special resolution include:

- (1) changing the name of the Company;
- (2) amending the memorandum or articles of association of the Company;
- (3) reducing the share capital of the Company;

- (4) varying the redemption rights attached to a class of Shares;
- (5) to the extent allowed by the Companies Act, validating any prior or future act of the Directors which would otherwise be in breach of their duties;
- (6) to the extent permitted by law, releasing any existing or former director (including alternate director), secretary or other officer of the Company from liability for any loss, damage or right to compensation relating to their offices;
- (7) resolving to be registered by way of continuation in a jurisdiction outside the Cayman Islands; and
- (8) if the Company is wound up, allowing the liquidator to either divide the whole or any part of the assets of the Company in specie, value any assets and determine how the division shall be carried out; or to vest the whole or any part of the assets of the Company in trustees.

A copy of the memorandum and articles of association of the Company will be available for inspection as a document on display at the time of despatch of this Scheme Document.

Risk factors of electing the Share Alternative

Investors should be aware of, among other things but not limited to, the following risk factors of holding HoldCo Shares and indirect ownership of the Company (after the Company is delisted) through HoldCo:

- HoldCo Shares and the Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules;
- HoldCo Shares and the Shares are illiquid, hence the shareholders of HoldCo and the Company may find it more difficult to find a purchaser for the HoldCo Shares and the Shares respectively if they intend to sell their shares, as there is less likely a ready market for HoldCo Shares and the Shares;
- there is no guarantee that any dividend payments will be paid in respect of HoldCo Shares or the Shares;
- it is proposed that HoldCo will not have any assets or liabilities other than the Shares of the Company. HoldCo does not intend to engage in any business other than acting as the holding company of the new Shares of the Company issued to it under the Share Alternative after completion of the Proposal;

- changes in the business and economic environment could adversely affect the operating profits of HoldCo or the Company or the value of HoldCo's assets or the Company's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to HoldCo's or the Company's operational risks; and
- general business risks associated with the natural gas industry including but not limited to:
 - (1) the concession for the operation of the natural gas business will expire or may be terminated before expiration;
 - (2) PetroChina and Sinopec are currently the principal natural gas suppliers to the Company and any instability in, shortages of or disruption to the supply of natural gas to the Company from PetroChina and Sinopec could significantly and adversely affect the Company's business. The Company may also face shortage of natural gas in the PRC as a whole;
 - (3) the Company cannot give any assurances that the take-or-pay obligation will not be enforced, and the obligations of the Company's customers under existing customer contracts may not correspond to the obligations under the agreement with PetroChina and Sinopec;
 - (4) the Company's business is affected by risk of fluctuations in prices for natural gas, including fluctuations arising from the PRC government's price control regime for natural gas and pipeline construction and any shortage of natural gas supply;
 - (5) the Company's business and operation results depend heavily on the economic and social conditions and prosperity of Taicang and its neighboring regions;
 - (6) the Company requires various licences and permits to commence, operate and expand its piped natural gas supply operation. Any failure to obtain or review any or all of these licences and permits and any enforcement action taken against the Company for non-compliance incident may materially and adversely affect the Company's business and expansion plans;
 - (7) the Company may not have adequate insurance to cover all hazards common to the natural gas industry which the Company's operations are subject;
 - (8) increase in costs of raw materials for the Company's pipeline construction and connection business may affect the Company's business, financial condition and operating results;

- (9) there may be unauthorized alteration of the Company's gas meters which affect our measuring and fee collection for its sale of piped natural gas; and
- (10) the Company places reliance on pipelines in its operation and engage third party to undertake pipeline construction work.

The Option Offer

As at the Latest Practicable Date, there are 50,250,000 Outstanding Share Options granted under the Share Option Scheme, of which 16,500,000 Share Options had an exercise price of HK\$2.00, 19,250,000 Share Options had an exercise price of HK\$2.28 and 14,500,000 Share Options had an exercise price of HK\$3.06. The Company will not grant any further Share Options under the Share Option Scheme before the Long Stop Date.

The Offeror is making (or procuring to be made on its behalf) an appropriate offer to all the holders of the Outstanding Share Options, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering holders of the Outstanding Share Options the "see-through" price (being the Cash Alternative minus the relevant exercise price in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code. Where the exercise price of the relevant Share Option under the Option Offer exceeds HK\$2.50, the "see-through" price is zero and a cash offer of a nominal amount of HK\$0.0001 per Share Option is being made.

Exercise price per Share Option	"See-through" price (HK\$)	Number of Outstanding Share Options
HK\$2.00	0.50	16,500,000
HK\$2.28	0.22	19,250,000
HK\$3.06	0.0001	14,500,000

As at the Latest Practicable Date, save as disclosed in the section headed "6. Shareholding Structure of the Company" in this "Letter from the Board", the Offeror and the Offeror Concert Parties did not hold any Share Options.

The Option Offer Letter to holders of Share Options setting out the terms and conditions of the Option Offer is being despatched separately to holders of Share Options and is substantially in the form set out in "Appendix XI – Form of Option Offer Letter" to this Scheme Document.

If any of the Outstanding Share Options is exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Option Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme.

According to clause 15.2 of the Share Option Scheme, if during the exercise period of the Share Options an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Act and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the grantees may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise their Share Options to their full extent or the extent specified in such notice. As at the Latest Practicable Date, the exercise of all the Outstanding Share Options in full would result in the issue of 50,250,000 new Shares (representing approximately 5.56% of the issued share capital of the Company as at the Latest Practicable Date) and approximately 5.27% of the issued share capital of the Company as enlarged by the issue of such new Shares.

According to clause 15.4 of the Share Option Scheme, upon the occurrence of any of the events referred to in clause 15.2 of the Share Option Scheme, notice of that event and the effect thereof shall be given by the Company to all the grantees as soon as reasonably practicable.

According to clause 11.1(f) of the Share Option Scheme, the Share Options shall lapse (to the extent not already exercised), in the case of clause 15.2 of the Share Option Scheme, on the expiry of the 21-day period stated therein, provided that the Scheme becomes effective. The lapse of any Share Option(s) in accordance with clause 15.2 of the Share Option Scheme shall not impact the operation and validity of the Option Offer and the entitlement of the Optionholders to receive the Option Offer Price from the Offeror in respect of any valid acceptance of the Option Offer.

The Option Offer is extended to all Share Options in issue on the date on which the Option Offer is made. Each Optionholder as at the Option Record Date who accepts the Option Offer and lodges a completed Form of Acceptance by the prescribed deadline set out in “Part III – Expected Timetable” of this Scheme Document will be entitled to receive the Option Offer Price as set out in the relevant Option Offer Letter that is sent to each holder of Share Options individually, notwithstanding the lapse of the Share Options on the expiry of the 21-day period under clause 15.2 of the Share Option Scheme (provided the Scheme becomes effective). All payments in respect of the Option Offer Price will be made in Hong Kong dollars. Settlement of the Option Offer Price to which the holders of Share Options are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer and subject to the terms of the Share Option Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such holder of Share Options.

As at the Latest Practicable Date, the exercise of all the Outstanding Share Options in full would result in the issue of 50,250,000 new Shares (representing approximately 5.56% of the issued share capital of the Company as at the Latest Practicable Date) and approximately 5.27% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Conditions to the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following:

- (1) the reporting, filing, registration or approval, as applicable and to the extent required, with or by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the PRC or its delegate on the Offeror's acquisition of shares of the Company under the Proposal;
- (2) in the PRC, with respect to the Proposal and the Scheme or its implementation, the Offeror having received antitrust approval from the State Administration for Market Regulation on terms satisfactory to the Offeror, or the statutory review period pursuant to the Anti-Monopoly Law, including any extension of such period, has lapsed;
- (3) the approval of the Scheme (by way of a poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (4) in relation to the Scheme:
 - (a) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Shares that are voted either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares;
- (5) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative) of such number of new Shares as is equal to the number of Scheme Shares cancelled, and to immediately thereafter increase the issued share

capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares, credited as fully paid, for issuance to the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative);

- (6) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (7) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company;
- (8) the conditions precedent to the Special Deal Agreement having been satisfied (or waived, where applicable);
- (9) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification. As at the Latest Practicable Date, save for Conditions (1), (2), (3), (4), (5), (6) and (7), the Company was not aware of any authorisations, approvals, permissions, waivers, consents, registrations or filings that is required for the implementation of the Proposal or the Scheme taking effect;
- (10) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (11) since the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing

against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal;

- (12) the Shares remaining listed and traded on the Stock Exchange up to the Effective Date save for any temporary suspension(s) of trading of the Shares as a result of the Proposal and the Scheme or for any temporary suspension(s) of trading of the Shares of not more than seven days and no indication being received on or before the Effective Date from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (13) since the date of the last audited consolidated financial statements of the Company, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Company or any member of the Group, whether or not arising in the ordinary course of business; and
- (14) no material breach of any covenants, representations and warranties given by IU Shareholders in favour of the Offeror under the Irrevocable Undertakings.

The Offeror reserves the right to waive Conditions (9), (10), (11), (12), (13) and (14) either in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or its implementation in accordance with its terms illegal. Conditions (1), (2), (3), (4), (5), (6), (7) and (8) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree) or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions. As of the Latest Practicable Date, except for Conditions (1) and (2) which have been fulfilled, all the other Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the other Conditions had been waived.

Trading of the Shares on the Stock Exchange has been suspended since 27 September 2021 up to the Latest Practicable Date. However, the Company was informed by the Offeror that, on the basis that (i) the Proposal as amended and supplemented by the transactions referred to in the section headed “3. Irrevocable Undertakings from the IU Shareholders – Supplemental Agreements” below can be implemented; and (ii) there being no new event or further development which may have any adverse impact on, among other things, the Group or the Scheme, the Offeror intends to waive Condition (12).

When all the Conditions are satisfied or waived (as applicable), the order of the Grand Court sanctioning the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point the Scheme will become effective and binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting. If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company.

As at the Latest Practicable Date, except for Conditions (1) and (2) which have been fulfilled, all the other Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the other Conditions had been waived.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 12 July 2022 (Cayman Islands time). Further announcements will be made including in particular in relation to (i) the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, (ii) the result of the hearing of the petition for the sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme by the Grand Court, (iii) the Scheme Record Date, (iv) the Effective Date and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in “Part III – Expected Timetable” of this Scheme Document.

WARNING:

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal, the Scheme and the Option Offer are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not be implemented. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3. IRREVOCABLE UNDERTAKINGS OF THE IU SHAREHOLDERS

On 25 August 2021, the Offeror received an Irrevocable Undertaking from each of the IU Shareholders (comprising the Controlling Shareholders, Dazhong (Hong Kong), Shanghai Dazhong and Action East), pursuant to which (i) each of the IU Shareholders has undertaken

to, amongst other things, exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable), insofar as is permitted under the applicable laws and regulations and (ii) for the Controlling Shareholders, elect the Cash Alternative only as the form of Cancellation Consideration for the cancellation of Shares held or owned by it. The 675,068,000 Shares held by the IU Shareholders which are the subject of the Irrevocable Undertakings represent approximately 74.75% of the total issued share capital of the Company as at the Latest Practicable Date.

Apart from the above undertakings, the Controlling Shareholders and Action East have provided the following additional undertakings to the Offeror:

Controlling Shareholders Irrevocable Undertaking

Special Deal Agreement

The Controlling Shareholders have undertaken to procure the parties to the Special Deal Agreement to execute the contemplated transactions pursuant to the terms and conditions thereof and strictly comply with the terms and conditions thereof. Details of the Special Deal Agreement are disclosed in the section headed “5. Arrangement Material to the Proposal – Special Deal Agreement and Connected Transactions” in this “Letter from the Board”.

In connection with the Special Deal Agreement, the Controlling Shareholders have irrevocably undertaken to the Offeror that they shall, and shall cause their associates (as defined under the Listing Rules):

- (a) not to, and not to agree to, make any amendments to the Special Deal Agreement except with the prior written consent of the Offeror;
- (b) to use reasonable endeavors to perform all transactions contemplated under the Special Deal Agreement and to strictly comply with the terms and conditions of the Special Deal Agreement;
- (c) to use reasonable endeavors to procure the Company, Suchuang Hong Kong, Taicang Natural Gas, Suchuang Shanghai and Argus Holding to perform all transactions contemplated under the Special Deal Agreement and to strictly comply with the terms and conditions contained therein;
- (d) to use reasonable endeavors to procure Ernst & Young to issue the audited consolidated financial statements for Suchuang Dunhua, Suchuang Shanghai and Argus Holding in accordance with the International Financial Reporting Standards as soon as practicable;

- (e) under the Special Deal Agreement, on the premises that the Special Deal Completion has taken place, Total Honest will not make any claims against the Company and Suchuang Hong Kong, however any party to the Special Deal Agreement is entitled to make a claim against the other party in breach of the terms therein for the transactions under the Special Deal Agreement; under the Special Deal Agreement, on the premises that the Special Deal Completion has taken place, Suchuang Shanghai will not make any claims against Taicang Natural Gas, however any party to the Special Deal Agreement is entitled to make a claim against the other party in breach of the terms therein for the transactions under the Special Deal Agreement;
- (f) before the Scheme becomes effective, is terminated, lapses or is withdrawn, to ensure and procure Xinjiang Dunhua to strictly comply with the Loan Agreement and all relevant contractual agreements with the Kuqa Branch of Agricultural Development Bank of China and not to commit any breach of contracts, and to strictly comply with the equity pledge(s) provided to Taicang Natural Gas in respect of Xinjiang Dunhua's subsidiaries and associated companies;
- (g) to procure the Board to approve resolutions on all documents relating to the Special Deals, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;
- (h) to procure the Company to effectively convene general meetings of Shareholders in accordance with the Takeovers Code, the Listing Rules and the memorandum and articles of association of the Company so that resolutions relating to the Special Deals can be considered by way of poll, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;
- (i) to procure the Company's compliance with all relevant laws or regulations (including the Listing Rules and the Takeovers Code) with respect to the Special Deals, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;
- (j) for the purposes of the equity/share transfers contemplated under the Special Deal Agreement:
 - (i) to procure Suchuang Hong Kong's agreement that the consideration for the shares in Suchuang Shanghai shall be received by the Company on its behalf through offsetting the Total Honest Cash Cancellation Consideration;
 - (ii) Total Honest agrees that the consideration payable by Total Honest for the equity/share transfers under the Special Deal Agreement shall be set off against the Total Honest Cash Cancellation Consideration; and

- (iii) Total Honest gives written instruction to the Offeror to deduct from the Total Honest Cash Cancellation Consideration in accordance with the terms of the Irrevocable Undertaking and Special Deal Agreement and arrange payment to the Company on behalf of Total Honest as instructed,

- (k) Fung Yu (if applicable) and Total Honest thereby issue a written instruction requiring the Offeror to first deduct the payable from the Total Honest Cash Cancellation Consideration and Fung Yu Cash Cancellation Consideration (if applicable) and pay and retain the amounts on behalf of Total Honest and Fung Yu (if applicable) as instructed pursuant to the Special Deal Agreement and the Controlling Shareholders Irrevocable Undertaking. The remaining balance (if any), will be paid by the Offeror to Total Honest and Fung Yu (if applicable) in accordance with the terms and conditions of the Scheme, the Controlling Shareholders Irrevocable Undertaking and the Special Deal Agreement.

Representations and Warranties

Customary representations and warranties in relation to the operations and financial conditions of the Group (excluding the Disposal Group) have been given by the Controlling Shareholders in favour of the Offeror under the Controlling Shareholders Irrevocable Undertaking.

Pre-completion Undertaking

The Controlling Shareholders have irrevocably undertaken that, during the period between the date of the Controlling Shareholders Irrevocable Undertaking and the Effective Date or the date when the Scheme lapses or is withdrawn (whichever is earlier), the Company and each member of the Group shall continue to operate in the same manner as before, and no member of the Group, without the written consent of the Offeror, shall commit to or do or permit certain matters as stipulated in the Controlling Shareholders Irrevocable Undertaking to occur, except where arrangements were agreed prior to the signing of the Controlling Shareholders Irrevocable Undertaking and have been notified in writing to the Offeror.

The Controlling Shareholders have irrevocably undertaken to use reasonable endeavors, through exercising the voting rights attached to the Shares of the Company held by them and through those who are the executive Directors (subject to complying with their duties as directors of the Company) exercising their Board rights:

- (a) to assist any candidate nominated by the Offeror to be validly nominated and appointed as a Director of the Company on the Effective Date (on the premises that the effectiveness of such appointment is subject to the completion of the Proposal), subject to compliance with (i) relevant laws or regulations (including the Listing Rules and the Takeovers Code) and the endorsement of such candidate by the Stock Exchange and other relevant regulatory authorities, and (ii) the maximum number of Directors as permitted by the articles of association of the Company;

- (b) that at the written request of the Offeror, to assist the incumbent executive Directors in resigning from office within the earliest time frame required or permitted by the Executive (or under any exemption) (and to use reasonable endeavours in obtaining the approval of the requisite Board resolutions), on the premises that the resignation of such Directors is subject to completion of the Proposal, or if the Controlling Shareholders agree that the foregoing shall not take effect prior to completion of the Proposal; and to take any reasonable actions to provide assistance to the person resigning as a Director such that he/she submits to the Offeror a letter of resignation in the form of a deed addressed to the Company or the relevant members of the Group in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters;
- (c) to facilitate the appointment of any candidate nominated by the Offeror as a director of Taicang Natural Gas and/or any of its subsidiaries on the Effective Date, on the premises that the effectiveness of such appointment is subject to completion of the Proposal and subject to compliance with (i) relevant laws or regulations (including the Listing Rules and the Takeovers Code) and (ii) the circumstances permitted by the articles of association of the companies concerned;
- (d) upon the written request of the Offeror, to assist the incumbent directors and supervisors of Taicang Natural Gas and each of (i) Sichuan Guangyuan Licheng Gas Co., Ltd. (四川廣元里程燃氣有限責任公司), (ii) Changshu City Suyu Natural Gas Transmission Co., Ltd. (常熟市蘇虞天然氣輸配有限公司), (iii) Jiangsu Tengxu, (iv) Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), (v) Taicang Zhongcheng Port Construction Co., Ltd. (太倉市眾城港口建設有限公司), (vi) Suzhou Chuanghua Energy Technology Co., Ltd. (蘇州市創華能源科技公司), (vii) Nantong Suyou Gas and (viii) Taicang Sucheng Natural Gas Transmission and Distribution Co., Ltd. (太倉市蘇城天然氣輸配有限公司) who were appointed by Taicang Natural Gas in resigning from office within the earliest time frame required or permitted by the Executive (or under any exemption) (and to obtain the approval of the requisite board resolutions), on the premises that the resignation of such directors and supervisors is subject to completion of the Proposal, or if the Controlling Shareholders agree that the foregoing shall not take effect prior to completion of the Proposal, and to take any reasonable actions to assist that the person resigning as a director or supervisor in submitting to the companies concerned a letter of resignation in the form of a deed addressed to the Company or the relevant members of the Company in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters; and
- (e) to assist Taicang Natural Gas and/or its subsidiaries:
 - (i) on the premises that the daily operation of Taicang Natural Gas and/or its subsidiaries would not be affected and that any cost incurred would be borne by the Offeror, to grant the representatives of the Offeror the relevant rights to enter into and to observe the operation at the business premises of Taicang

Natural Gas from the date of the Controlling Shareholders Irrevocable Undertaking until the Effective Date or the date when the Scheme is lapsed or withdrawn, or the date when the Scheme or Proposal fails to be approved at the Court Meeting and the General Meeting or was not sanctioned by the Grand Court; and

- (ii) from the Announcement Date up to the Effective Date, to obtain the consent of the representatives of the Offeror prior to making major decisions, such as the appointment and removal of executive-level personnel, any change of the organizational structure of the Group, investment and financing activities, borrowing or providing guarantees.

Change of Group Management

The Controlling Shareholders have irrevocably undertaken to the Offeror that on the Effective Date:

- (a) to provide with the Offeror with information and items pursuant to the terms of the Controlling Shareholders Irrevocable Undertaking;
- (b) to procure the executive Directors to resign from office (and to procure the approval of the requisite board resolutions); and to take any reasonable actions to ensure that the person resigning as a director submits to the Company a letter of resignation in the form of a deed addressed to the Company in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters; and
- (c) to procure the general manager(s) (in each case appointed by the Controlling Shareholders) of (i) Taicang Natural Gas, (ii) Jiangsu Tengxu, (iii) Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), (iv) Taicang Zhongcheng Port Construction Co., Ltd. (太倉市翠城港口建設有限公司), (v) Nantong Suyou Gas and (vi) Taicang Sucheng Natural Gas Transmission and Distribution Co., Ltd. (太倉市蘇城天然氣輸配有限公司) to resign from office, and to take any reasonable actions to ensure that the person resigning as a general manager submits to the companies concerned a letter of resignation in the form of a deed addressed to the respective company in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters; and the Offeror to appoint new general manager of the abovementioned companies.

Subject to the above, the Offeror plans to maintain the relative stability in the existing management of Taicang Natural Gas, Kunshan Anda and their respective subsidiaries and to maintain their respective positions (for the avoidance of doubt, not meaning duties) and their salary level within one year after the completion of the Proposal.

Restrictions on business activities of the Controlling Shareholders

The Controlling Shareholders have irrevocably undertaken to the Offeror that they shall not, and shall cause their associates not to, for themselves, as agents or on behalf of any others:

- (a) disclose to any person or make use of any confidential information (other than any information which has been properly disclosed publicly under a court order or by a stock exchange or other regulatory authorities) concerning information, merchandise, finances, contractual arrangements, business or operation modes of any members of the Group (excluding the Disposal Group), its customers and suppliers; or
- (b) solicit or induce, or attempt to solicit or induce executives, managers, consultants or employees of any members of the Group (excluding the Disposal Group) (whether or not their departure would be in breach of an employee or service contract or its equivalent) within one year from the Effective Date.

Exclusivity

The Controlling Shareholders have irrevocably undertaken:

- (i) not to accept any other equity/share transfers, offers and take-private proposals of other companies other than the Scheme;
- (ii) not to breach the relevant terms in the Controlling Shareholders Irrevocable Undertaking in relation to voting of the resolutions of the Proposal at the Court Meeting and the General Meeting; and
- (iii) not to cause the Special Deals not to be completed in accordance with the Special Deal Agreement due to reasons of Total Honest, Fung Yu or Suchuang Shanghai,

within six months (which is subsequently extended to 12 months, please refer to the sub-section headed “Amendment to the Controlling Shareholders Irrevocable Undertaking Amendment to the Controlling Shareholders Irrevocable and further irrevocable undertakings” below) from the date of the Controlling Shareholders Irrevocable Undertaking, whether or not the Scheme becomes effective.

In the event of any breach by the Controlling Shareholders of these undertakings, the Controlling Shareholders shall be liable for 5% of each of the Fung Yu Cash Cancellation Consideration and Total Honest Cash Cancellation Consideration as liquidated damages to the Offeror.

Action East Deed of Consent and Waiver

Under a deed of consent and waiver dated 25 August 2021, Action East has unconditionally and irrevocably agreed and confirmed that it will (without any charge, fee or consideration):

- (i) waive and release the right of first refusal and co-sale right as the only remaining surviving rights under the shareholders' agreement in respect of the Company dated 26 February 2014 and entered into, by Mr. Su Aping, Ms. Zhu Yaying, the Company, Action East and Fung Yu, due to the irrevocable undertaking given by, Mr. Su Aping, Ms. Zhu Yaying, Fung Yu and Total Honest in favour of the Offeror in support of the Proposal, the acceptance of the offer proposed by the Offeror under the Proposal by Fung Yu and Total Honest and/or the implementation of the Proposal; and
- (ii) conditional upon the completion of the Proposal, exercise the option to terminate the said right of first refusal and co-sale right.

The Irrevocable Undertakings, being binding irrevocable undertakings, will terminate and the above obligations of the IU Shareholders under the Irrevocable Undertakings will cease to be binding if the Scheme does not become effective, lapses, is terminated or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time. The long stop date of the Irrevocable Undertakings is 15 March 2022 (which was extended to 31 August 2022 pursuant to the relevant Supplemental Agreements).

Supplemental Agreements***Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking***

On 22 February 2022, the Offeror and the Controlling Shareholders have entered into the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, pursuant to which the Controlling Shareholders and the Offeror have agreed to amend certain terms of the Controlling Shareholders Irrevocable Undertaking.

Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings

Pursuant to the terms and conditions of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, each of the Controlling Shareholders has irrevocably undertaken to the Offeror that, among other things:–

- (a) the Controlling Shareholders will fully indemnify the Group and the Offeror against the Relevant Liabilities;

- (b) the Offeror may, upon the Scheme becoming effective, retain the entire amount of the Fung Yu Cash Cancellation Consideration and the Total Honest Cash Consideration (including the deductions to be made in accordance with the Controlling Shareholders Irrevocable Undertaking) to account for losses arising from the Relevant Liabilities in accordance with the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, subject to the Offeror's release of an amount equal to Fung Yu's existing debt (as disclosed to the Offeror), where such debt is secured by Fung Yu's shareholding in the Company;
- (c) the Offeror may apply (i) the sums retained as referred to in paragraph (b) above, and (ii) the amounts retained by the Offeror under the Minority IU Shareholders Irrevocable Undertakings (please see below the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings"), to set-off the Controlling Shareholders' Liabilities;
- (d) the arrangement set out above does not affect the repayment obligation by Suchuang Shanghai for the Suchuang Shanghai Loan. Prior to the full discharge of the Controlling Shareholders' Liabilities, the Company would not need to (and the Offeror would not need to procure the Company to) repay any amount retained by the Company to Total Honest upon Suchuang Shanghai's repayment of any amount to Taicang Natural Gas under the Suchuang Shanghai Loan (for details of the Suchuang Shanghai Loan, please refer to paragraph (b) of the section headed "5. Arrangement Material to the Proposal – Intra-group loans arrangement" below); and
- (e) in respect of the Xinjiang Dunhua Loan (for details of the Xinjiang Dunhua Loan, please refer to paragraph (c) of the section headed "5. Arrangement Material to the Proposal – Intra-group loans arrangement" below), notwithstanding the Offeror's obligation under the Controlling Shareholders Irrevocable Undertaking to release a relevant amount retained from the Total Honest Cash Cancellation Consideration upon (i) Total Honest and/or Fung Yu providing counter-guarantees to the satisfaction of the Offeror; or (ii) the guarantee for the Xinjiang Dunhua Loan being released (the amount to be released being the amount of counter-guarantees provided under (i) and/or the amount of the guarantee released under (ii), as the case may be), the Controlling Shareholders agree that the Offeror would not need to release any such amounts retained before the Controlling Shareholders' Liabilities had been discharged in full.

Further, the Controlling Shareholders and the Offeror have agreed that (i) the Long Stop Date under the Controlling Shareholders Irrevocable Undertaking (being 15 March 2022) shall be extended to 31 August 2022; and (ii) the exclusivity period of the Proposal shall be extended from six months to 12 months from the date of the Controlling Shareholders Irrevocable Undertaking.

In view of the undertakings given by the Controlling Shareholders under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, the Offeror agrees to return any remaining balance of the Total Honest Cash Cancellation Consideration,

Fung Yu Cash Cancellation Consideration and Minority IU Shareholders Cancellation Consideration within a month of the satisfaction of each of the following: (i) the Controlling Shareholders having fully discharged the Controlling Shareholders' Liabilities; (ii) the full repayment of the Suchuang Shanghai Loan; (iii) the guarantee provided by Taicang Natural Gas for the Xinjiang Dunhua Loan is released in full; (iv) the obligations of the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders, under the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings (please see below the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings"), and the obligations of the parties to the Transfer Agreements and the Assignment and Set-off Agreement, respectively, have been satisfied in full, there is no breach on the part of the Controlling Shareholders, the Minority IU Shareholders, and/or the Entrustment Minority Shareholders thereunder, and no investigations, claims or penalties against the Offeror, its associates or the Group have arisen therefrom; and (v) the Scheme having become effective for three years.

Waivers

Subject to (i) the Controlling Shareholders having fully satisfied the obligations and undertakings under the Controlling Shareholders Irrevocable Undertaking (apart from breaches arising from the Relevant Liabilities in such nature or type and quantum disclosed in the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking as at the date of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking ("**Relevant Breaches**")) and the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, (ii) the Minority IU Shareholders and the Entrustment Minority Shareholders having fully satisfied the obligations and undertakings under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively, (iii) parties to the Transfer Agreements and the Assignment and Set-off Agreement having fully satisfied their obligations and performed the Transfer Agreements and the Assignment and Set-off Agreement, (iv) there have not been any claims, complaints or demands filed by any person against the Offeror or its associates in respect of the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings, the Transfer Agreements and the Assignment and Set-off Agreement initiated by any persons and there have not been any disputes, challenges, claims or other actions in connection with the transactions contemplated thereunder and (v) the Scheme becoming effective and the successful delisting of the Company, the Offeror has agreed to waive and release the Controlling Shareholders over and to the extent of the Relevant Breaches relating to the Relevant Liabilities under the Controlling Shareholders Irrevocable Undertaking, unless the quantum, nature or type of the subsequent payables or liabilities

exceeds the amount of Relevant Liabilities agreed under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, in which case the Offeror reserves its rights to claim against the Controlling Shareholders.

Conditions Precedent

The Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking is subject to the following conditions precedent:–

- (a) each of Fung Yu and Total Honest (together with the relevant parties) duly executes the Deeds of Mortgage and Assignment and the Custodian Agreements relating to all the issued shares of the Company beneficially owned by them and the delivery to the Offeror of the duly signed Deeds of Mortgage and Assignment together with the ancillary documents thereunder (except for the document(s) to be signed by the Offeror) and the Custodian Agreements;
- (b) the Minority IU Shareholders and the Entrustment Minority Shareholders duly execute the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively, and the conditions precedent under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings entered into by the Minority IU Shareholders and the Entrustment Minority Shareholders are fully satisfied (or waived in accordance with the relevant terms by the Offeror), and the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings becoming effective; and
- (c) the Entrustment Minority Shareholders duly execute the Pledge Documents and the Pledge Documents becoming effective.

The conditions precedent set out above have been fulfilled.

Unless otherwise stated in the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking (principal terms of which are set out above), all the other terms in the Controlling Shareholders Irrevocable Undertaking remain unchanged.

Supplemental Agreement to Action East Irrevocable Undertaking and Supplemental Agreement to Dazhong Irrevocable Undertaking

On 14 March 2022, each of (1) Dazhong (Hong Kong) and Shanghai Dazhong and (2) Action East (being part of the IU Shareholders) have entered into a supplemental agreement to their respective Irrevocable Undertakings with the Offeror, pursuant to which the long stop date of each of these Irrevocable Undertakings was extended from 15 March 2022 to 31 August 2022.

Unless otherwise stated in the relevant Supplemental Agreements, all the other terms in these Irrevocable Undertakings remain unchanged.

Information about the IU Shareholders

As at the Latest Practicable Date, the information about the IU Shareholders is as follows:

Fung Yu

Fung Yu is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Wen and Ms. Su Yi are three of the several eligible beneficiaries. The principal activity of Fung Yu is investment holding.

Total Honest

Total Honest is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. The principal activity of Total Honest is investment holding.

Dazhong Group

Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with stock code 600635 and the H shares of which are listed on the Stock Exchange with stock code 1635.

Action East

Action East is indirectly wholly owned by Prax Capital. Prax Capital is a limited partnership established in the Cayman Islands whose sole general partner is Prax Capital China Growth Fund III GP, Ltd., a limited liability company incorporated in the Cayman Islands.

None of the IU Shareholders own or control any shareholding in the Offeror. None of the non-exempt discretionary fund managers and principal traders falling under category (iii) of paragraph 4 of Schedule I to the Takeovers Code have any shareholding in each of the Offeror and the Company.

4. MINORITY IU SHAREHOLDERS IRREVOCABLE UNDERTAKINGS AND ENTRUSTMENT MINORITY SHAREHOLDERS IRREVOCABLE UNDERTAKINGS

On 22 February 2022, the Offeror entered into the following:

- (a) the Minority IU Shareholders Irrevocable Undertakings with the Minority IU Shareholders, pursuant to which each of the Minority IU Shareholders has agreed to provide certain irrevocable undertakings to the Offeror subject to the terms and conditions in the Minority IU Shareholders Irrevocable Undertakings; and
- (b) the Entrustment Minority Shareholders Irrevocable Undertakings with the Entrustment Minority Shareholders pursuant to which each of the Entrustment Minority Shareholders has agreed to provide certain irrevocable undertakings to the Offeror subject to the terms and conditions in the Entrustment Minority Shareholders Irrevocable Undertakings.

Based on public information available to the Company on the Latest Practicable Date, Shanghai Honglida, one of the Entrustment Minority Shareholders, controls an entity which holds 12.5% of the shares in one of the Borrowers referred to in the Inside Information Announcements, being Taicang Suchuang, and such Borrower holds 90% interest in Shanghai Pudong Gas Development Co., Ltd.* (上海浦東燃氣發展有限公司). Further, as at the Latest Practicable Date, the Entrustment Minority Shareholders together are interested in 22,398,000 Shares (representing approximately 2.48% of all issued Shares) under two separate trusts established pursuant to the Trust Agreements with Hwabao, a Qualified Domestic Institutional Investor (QDII).

The table below sets out the Shares held by the Minority IU Shareholders and the Shares that the Entrustment Minority Shareholders are interested in as of the Latest Practicable Date:

Minority IU Shareholders	Number of Shares held	Approximate percentage of the issued Shares
Jade Deluxe Holdings Limited (<i>Note 1</i>)	32,542,000	3.60%
Fairy Wealth Investments Limited (<i>Note 2</i>)	21,978,000	2.43%
Kiska International Inc.	17,086,000	1.89%
Zhang Hong (張紅) (<i>Note 3</i>)	8,222,000	0.91%
Zhou Jinming (周錦明)	4,122,000	0.46%
Xiang Liwen (項麗雯)	3,786,000	0.42%
Gu Chongquan (顧重泉)	422,000	0.05%
He Xueping (何學萍)	410,000	0.05%
Hu Yong (胡湧)	382,000	0.04%
Ding Bingyuan (丁炳元)	324,000	0.04%
Wang Juan (王娟)	300,000	0.03%
Zhao Weiliang (趙偉良) (<i>Note 2</i>)	228,000	0.03%
Gong Yuju (龔玉菊)	184,000	0.02%
Gao Beifei (高蓓飛)	174,000	0.02%
Gao Siyuan (高思源)	174,000	0.02%
Zhao Yibi (趙一璧) (<i>Note 1</i>)	170,000	0.02%
Jia Meifeng (賈美豐)	158,000	0.02%
Huang Jianfen (黃建芬)	150,000	0.02%
Aggregate number of Shares held by the Minority IU Shareholders	90,812,000	10.06%
Entrustment Minority Shareholders		
Shanghai Honglida Industrial Co., Ltd.* (上海弘 力達實業有限公司)	16,198,000	1.79%
Ji Xian (吉嫻)	6,200,000	0.69%
Aggregate number of Shares that the Entrustment Minority Shareholders are interested in	22,398,000	2.48%
Total	113,210,000	12.54%

- Zhao Yibi is the sole director of Jade Deluxe Holdings Limited.
- Fairy Wealth Investments Limited is wholly owned by Merry Talent International Limited, which is in turn wholly owned by Zhao Weiliang, who is also the sole director of Fairy Wealth Investments Limited.
- 8,220,000 Shares out of 8,222,000 Shares held by Zhang Hong are subject to the relevant Minority IU Shareholders Irrevocable Undertaking.

None of the Minority IU Shareholders or the Entrustment Minority Shareholders are connected persons of Company.

Irrevocable Undertakings

Pursuant to the terms and conditions of the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, each of the Minority IU Shareholders and the Entrustment Minority Shareholders has irrevocably undertaken to the Offeror to, amongst other things:–

- (a) exercise (or procure the exercise of) all voting rights attached to the Minority IU Shareholders Shares (or an interest in the Entrustment Minority Shareholders Shares) respectively held or owned by them at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and/or the withdrawal of listing and any matters in connection with the Proposal and/or the withdrawal of listing (where applicable), insofar as is permitted under the applicable laws and regulations; and
- (b) elect (or procure the election of) the Cash Alternative only as the form of Cancellation Consideration for the cancellation of the Minority IU Shareholders Shares (or an interest in the Entrustment Minority Shareholders Shares) respectively held or owned by the Minority IU Shareholder and the Entrustment Minority Shareholder.

As at the Latest Practicable Date, 90,812,000 Shares in aggregate are held or owned by the Minority IU Shareholders, and the Entrustment Minority Shareholders are interested in 22,398,000 Shares.

Further, each of the Minority IU Shareholders has irrevocably undertaken to the Offeror that, the Offeror shall be entitled to retain the cash consideration receivable by each of the Minority IU Shareholders, respectively, payable under the Scheme in connection with the Minority IU Shareholders Shares owned or held by the Minority IU Shareholders under the Cash Alternative.

In respect of the Minority IU Shareholders, the deduction of the Minority IU Shareholders Cancellation Consideration by the Offeror is subject to the Offeror's release of amounts equal to the Minority IU Shareholders' Existing Debt as disclosed to the Offeror, the Offeror shall be entitled to retain the Minority IU Shareholders Cancellation Consideration, net of the Minority IU Shareholders' Existing Debt, to set off against the Controlling Shareholders' Liabilities.

In respect of the Entrustment Minority Shareholders, pending the execution of the Transfer Agreements and the Assignment and Set-off Agreement (please see the section headed "Transfer Agreements and Assignment and Set-off Agreement" below) by the parties thereto (which is expected to be immediately after the Scheme becoming effective), the Offeror is entitled to retain the cash consideration to be paid by the Offeror under the Scheme, being approximately HK\$56 million at the Cancellation Price of HK\$2.50 per Share.

Termination

The Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, will terminate (save for the surviving provisions as specified under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively) and the above obligations of the Minority IU Shareholders under the Minority IU Shareholders Irrevocable Undertakings, and of the Entrustment Minority Shareholders under the Entrustment Minority Shareholders Irrevocable Undertakings, will cease to be binding if the Scheme does not become effective, lapses, is terminated or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time, or the Scheme does not become effective in accordance with its terms on or before 31 August 2022 (or any other date as agreed by parties in writing), or any resolutions for the Scheme and/or the withdrawal of listing and any matters in connection with the Scheme and/or the withdrawal of listing is not approved in the General Meeting, the Court Meeting or by the Grand Court. The long stop date for the Scheme becoming effective under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings is 31 August 2022 (being the same as the amended long stop date as mentioned in the section headed “Supplemental Agreements – Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings” above).

Conditions Precedent

The Minority IU Shareholders Irrevocable Undertakings are subject to, as a condition precedent, each of the Minority IU Shareholders having duly executed the Minority IU Shareholders Deed(s) of Mortgage and Assignment and the Minority IU Shareholders Custodian Agreement(s) and having delivered to the Offeror the duly signed Minority IU Shareholders Deed(s) of Mortgage and Assignment together with the ancillary documents thereunder and the Minority IU Shareholders Custodian Agreement(s) (except for the document(s) to be signed by the Offeror).

The Entrustment Minority Shareholders Irrevocable Undertakings are subject to, as a condition precedent, each of the Entrustment Minority Shareholders having duly executed the Pledge Document, respectively, and having delivered the Pledge Documents to the Offeror.

The conditions precedent to the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings have been fulfilled.

Loan between Minority IU Shareholders and Controlling Shareholders

In connection with, and to account for, the Minority IU Shareholders’ financial position under the Minority IU Shareholders Irrevocable Undertakings and Minority IU Shareholders Deeds of Mortgage and Assignment, each of the Minority IU Shareholders have entered into the relevant Minority IU Shareholders Loan Agreement with the Controlling Shareholders, respectively pursuant to which the Controlling Shareholders agree to repay each of the Minority IU Shareholders a sum that is equivalent to the Cancellation Consideration of HK\$2.5

per Share under the Cash Alternative that the Minority IU Shareholders would, but for the terms of the Minority IU Shareholders Irrevocable Undertakings, have received upon the Scheme becoming effective less any amount of Minority IU Shareholders' Existing Debt that was released by the Offeror (the "**Minority IU Shareholders Loans**"). The Minority IU Shareholders Loans are unsecured, interest-free and repayable upon demand by the Minority IU Shareholders, save that (i) a demand may not be made until the Controlling Shareholders have paid the Offeror the amounts prescribed under the Controlling Shareholders Irrevocable Undertaking and the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, and (ii) no repayment may be made to the Minority IU Shareholders before the Cancellation Consideration under the Scheme is paid to the other Shareholders.

TRANSFER AGREEMENTS AND ASSIGNMENT AND SET-OFF AGREEMENT

As of the Latest Practicable Date, the Refunds due from Zhejiang Xinrun, a supplier of the Group, to Nantong Suyou Gas amount to approximately RMB55.48 million.

Under the Entrustment Minority Shareholders Irrevocable Undertakings, the Entrustment Minority Shareholders agree that immediately after the Scheme becomes effective, the Entrustment Minority Shareholders will enter into the Transfer Agreements, and the Assignment and Set-off Agreement.

Terms of the Transfer Agreements and Assignment and Set-off Agreement

Under the terms of the Transfer Agreements, Shanghai Honglida and Ji Xian agree to the Assignment in consideration of RMB25.65 million and RMB9.81 million respectively (collectively, the "**Consideration**"), payments of which cannot be made by Zhejiang Xinrun until the Cancellation Consideration under the Scheme is paid to the other Shareholders. The transfer prices per Share under the Transfer Agreements entered into by each of the Entrustment Minority Shareholders are the same, being approximately RMB1.58 (equivalent to approximately HK\$1.95) and RMB1.58 (equivalent to approximately HK\$1.95), respectively.

Under the terms of the Assignment and Set-off Agreement, Taicang Natural Gas shall procure Nantong Suyou Gas to assign to it a part of the Refunds in an amount equivalent to such Cancellation Price for the 22,398,000 Shares after deduction of all necessary expenses and taxes, Taicang Natural Gas will offset and release Zhejiang Xinrun from the part of the Refund assigned to Taicang Natural Gas from Nantong Suyou Gas, and Zhejiang Xinrun will pay the Entrustment Minority Shareholders an amount equal to the difference between such Cancellation Price and the Consideration.

Any amount payable by Zhejiang Xinrun to the Entrustment Minority Shareholders under the Transfer Agreements and Assignment and Set-off Agreement (including the Consideration) is treated as a loan due from Zhejiang Xinrun to the Entrustment Minority Shareholders (the “**Entrustment Minority Shareholders Loans**”). It is intended that the Entrustment Minority Shareholders Loans are interest-free and are repayable on demand, save that no repayment, including settlement of the Consideration, may be made to the Entrustment Minority Shareholders before the Cancellation Consideration under the Scheme is paid to the other Shareholders.

Upon completion of the Scheme, Taicang Natural Gas is expected to receive the Cancellation Consideration of approximately RMB43.60 million (net of the necessary expenses and taxes) (or in the amount of HK\$55,995,000 (before deduction of the necessary taxes and expenses)).

If the Scheme becomes effective, the Entrustment Minority Shareholders would receive from Zhejiang Xinrun the Entrustment Minority Shareholders Loans in the amount of HK\$55,995,000 (before deduction of the necessary taxes and expenses) (or approximately RMB43.60 million (net of the necessary expenses and taxes)) under the Transfer Agreements and Assignment and Set-off Agreement, which is a sum that is equivalent to the Cancellation Consideration of HK\$2.5 per Share for the cancellation of 22,398,000 Shares held through the Trust Arrangements that the Entrustment Minority Shareholders would have received in the absence of the Transfer Agreements and Assignment and Set-off Agreement.

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The terms of the Supplemental Arrangements do not offer the Minority IU Shareholders and the Entrustment Minority Shareholders a more favourable treatment against other Shareholders. The Supplemental Arrangements do not provide any more favourable terms or conditions to the Minority IU Shareholders and the Entrustment Minority Shareholders as compared to those offered to other Shareholders under the Scheme, and the Minority IU Shareholders and the Entrustment Minority Shareholders will not receive any amount pursuant to the Supplemental Arrangements ahead of any other Shareholder pursuant to the Scheme.

Save for the amount that is equivalent to the Cancellation Consideration that is payable to the Minority IU Shareholders (and the relevant creditors to the Minority IU Shareholders’ Existing Debt) and the Entrustment Minority Shareholders (being the (i) Minority IU Shareholders’ Existing Debt and Minority IU Shareholders Loans and (ii) the Entrustment Minority Shareholders Loans (including the Consideration), respectively), none of the Minority IU Shareholders nor the Entrustment Minority Shareholders will receive any other consideration, compensation or benefit in any form under the Scheme and the Supplemental Arrangements.

As a result of (i) the Minority IU Shareholders entering into the Minority IU Shareholders Irrevocable Undertakings; and (ii) the Entrustment Minority Shareholders entering into the Entrustment Minority Shareholders Irrevocable Undertakings, the Transfer Agreements and the Assignment and Set-off Agreement (and in each case, the transactions described thereunder), each of the Minority IU Shareholders, the Entrustment Minority Shareholders and Hwabao (in its capacity as a trustee for the Entrustment Minority Shareholders) are presumed to be acting in concert with the Offeror under Class (9) of the definition of “acting in concert” under the Takeovers Code. In total, the Minority IU Shareholders and (prior to completion of the Transfer Agreements) the Entrustment Minority Shareholders (through Hwabao as a trustee) own or are interested in 113,210,000 Shares, representing approximately 12.54% of the total issued Shares as at the Latest Practicable Date.

As members of the Offeror Concert Parties, the votes of the Minority IU Shareholders and Hwabao (in its capacity as trustee for the Entrustment Minority Shareholders) (alongside those of the Controlling Shareholders’) at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (4)(a) and (b) described under the section headed “2. Terms of the Proposal – Conditions to the Proposal and the Scheme” above (as required under Rule 2.10 of the Takeovers Code) are satisfied, but will be counted as votes of Scheme Shareholders in determining whether the requirement under Condition (3) in the section headed “2. Terms of the Proposal – Conditions to the Proposal and the Scheme” above (as required under the Companies Act) is satisfied. Besides Fung Yu, Total Honest, the Minority IU Shareholders and Hwabao (as a trustee), there are no Offeror Concert Parties who hold Shares as at the Latest Practicable Date.

Save for the Irrevocable Undertakings, the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme or to elect the Share Alternative or the Cash Alternative had been received by the Offeror or the Offeror Concert Parties, as at the Latest Practicable Date.

5. ARRANGEMENT MATERIAL TO THE PROPOSAL

Special Deal Agreement and Connected Transactions

In connection with the Proposal, the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas entered into the Special Deal Agreement on 25 August 2021 pursuant to which the parties agreed to purchase and sell certain subsidiaries of the Company and to settle certain intra-group loans.

Upon the Scheme becoming effective, it is expected that the Special Deal Completion will take place within seven days thereafter. Under the Controlling Shareholders Irrevocable Undertaking, the Controlling Shareholders have given written instructions to the Offeror to transfer part of the Total Honest Cash Cancellation Consideration and the Fung Yu Cash Cancellation Consideration in accordance with the arrangements set out below to the Company and its respective subsidiaries accordingly which will be held in escrow by the Company pending the Special Deal Completion, the remainder will be paid to Total Honest and Fung Yu (please, however, refer to the arrangements subsequently entered into between the Company and Controlling Shareholders under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking as mentioned in the section headed “3. Irrevocable Undertakings from the IU Shareholders – Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings” in this “Letter from the Board”).

Pursuant to the terms and conditions of the Special Deal Agreement:–

- (a) the Company and Total Honest have agreed to the Hong Kong Transfer;
- (b) the Company and Total Honest have agreed to the US Transfer;
- (c) Suchuang Hong Kong and Total Honest have agreed to the Shanghai Transfer; and
- (d) Suchuang Shanghai and Taicang Natural Gas have agreed to the Kunshan Transfer.

Hong Kong Transfer, US Transfer and Shanghai Transfer constitute disposals of the Group's assets to the Controlling Shareholders, and they are therefore special deals under Note 4 of Rule 25 of the Takeovers Code. As Kunshan Transfer is an intra-group transfer of the Group, it does not constitute a special deal under Rule 25 of the Takeovers Code. As the Hong Kong Transfer, US Transfer and Shanghai Transfer are not offered to all Shareholders, they require the consent of the Executive under Note 4 to Rule 25 of the Takeovers Code. The Offeror has made an application to seek consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deal Agreement by the Independent Shareholders by way of poll at the General Meeting.

Upon the Special Deal Completion, the Disposal Group will be wholly owned by Total Honest, and accordingly will cease to be the subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated with the Group's financial statements.

Disposal Group Transfer Consideration

Transfer	Consideration^(Note 1)
Hong Kong Transfer	HK\$100
US Transfer	US\$1,000,000
Shanghai Transfer	Nil
	<hr/>
Total	RMB6,472,883^(Note 2)
	<hr/> <hr/>

Note 1: In addition to the expected consideration payable for the transfer of the Disposal Group, it is also agreed under the Special Deal Agreement that the Suchuang Shanghai Loan and the US Loan would be settled by Total Honest, therefore:

- in addition to the consideration payable for the US Transfer, Total Honest will also repay the remaining balance of the US Loan, being approximately US\$13.88 million as at the Latest Practicable Date; and

- in addition to the consideration payable for the Shanghai Transfer, the remaining balance of the Suchuang Shanghai Loan, being approximately RMB280.53 million as at the Latest Practicable Date, will be partially offset by the Kunshan Anda Loan and the consideration for the Kunshan Transfer, and partially be repaid by Total Honest and Suchuang Shanghai.

Please refer to the section headed “5. Arrangement Material to the Proposal – Special Deal Agreement and Connected Transactions – Intra-group loans arrangement” in this “Letter from the Board” for further details.

Note 2: The total amount is calculated using the exchange rates of HK\$1.00 = RMB0.83104 and US\$1.00 = RMB6.4728.

The above considerations have been determined by reference to the net asset value and consolidated net asset value attributable to the shareholders as reflected in the audited financial statements and audited consolidated financial statements as of 30 June 2021 for Suchuang Dunhua and Argus Holding respectively, and the audited pro-forma consolidated financial statements of Suchuang Shanghai as of 30 June 2021. The consideration for the transfers will be further adjusted in accordance with paragraph below.

The Company, Suchuang Hong Kong and Total Honest agree that the considerations for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer set out in the Special Deal Agreement shall be adjusted based on the net asset value and consolidated net asset values attributable to the shareholders in the audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and audited pro-forma consolidated financial statements of Suchuang Shanghai as at 30 June 2021 prepared by the auditors in accordance with the International Financial Reporting Standards (as set out in Appendix IIA, Appendix IIB and Appendix IIC to this Scheme Document, respectively). Further, the Company, Suchuang Hong Kong and Total Honest agree that the adjusted consideration payable by Total Honest to the Company and Suchuang Hong Kong for the Hong Kong Transfer, US Transfer and Shanghai Transfer shall be directly offset by the Total Honest Cash Cancellation Consideration. In calculating the consideration of Shanghai Transfer, it is assumed that the Kunshan Transfer has been completed and the impact of Kunshan Anda on Suchuang Shanghai will not be considered. If the net asset values attributable to the shareholders as set out in the respective audited financial statements as at 30 June 2021 (prepared in accordance with the International Financial Reporting Standards) of Argus Holding, Suchuang Shanghai or Suchuang Dunhua are negative, the consideration for the relevant transfer is zero.

Based on the audited reports of the Disposal Group as set out in Appendices IIA, IIB and IIC, no adjustment is required in respect of the consideration for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer.

Kunshan Transfer Consideration

As agreed between Suchuang Shanghai and Taicang Natural Gas, the consideration for the Kunshan Transfer is RMB104,400,000. Suchuang Shanghai and Taicang Natural Gas agree that the consideration for the Kunshan Transfer is offset by the Suchuang Shanghai Loan. After the aforementioned offset arrangement, Suchuang Shanghai shall be deemed to have repaid a portion of the Suchuang Shanghai Loan equivalent to the consideration of the Kunshan Transfer. Taicang Natural Gas shall not be required to pay the consideration for the Kunshan Transfer by way of cash.

Intra-group loans arrangement

In relation to the intra-group loans between the Company and the Disposal Group, Taicang Natural Gas, Suchuang Shanghai and Total Honest have agreed that:–

- (a) the Kunshan Loan of RMB1.03 million (being the amount as reflected in the audited accounts of Suchuang Shanghai as of 30 June 2021) shall be assigned by Suchuang Shanghai to Taicang Natural Gas to offset part of the Suchuang Shanghai Loan. After offsetting the Suchuang Shanghai Loan with the assignment of the Kunshan Loan and the Kunshan Transfer Consideration, the balance of the Suchuang Shanghai Loan is RMB199.97 million (based on the outstanding amount as of 30 June 2021);
- (b) the remaining balance of the Suchuang Shanghai Loan shall be repaid by way of the following:–
 - (i) part of the loan in the amount of RMB138 million will be directly deducted by the Offeror from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective, and transmitted by the Offeror to the Company and retained by the Company until Suchuang Shanghai repays the remaining amount to Taicang Natural Gas. Accordingly, under the Controlling Shareholders Irrevocable Undertaking, Total Honest has given written instructions to the Offeror to deduct the amount directly from Total Honest Cash Cancellation Consideration and pay the amount for the Company to retain, and the Offeror will procure the Company to repay the equivalent amount based on the agreed exchange rate to Total Honest within seven days of the repayment by Suchuang Shanghai to Taicang Natural Gas;
 - (ii) the remaining portion of the Suchuang Shanghai Loan (approximately RMB38.04 million, based on the amounts outstanding under the Kunshan Loan and Suchuang Shanghai Loan as of the Latest Practicable Date) shall be repaid by Suchuang Shanghai within two years from the date of Special Deal Completion and the Offeror agrees to extend the repayment deadline to three years from the date of Special Deal Completion if such portion cannot be repaid within two years, while Suchuang Shanghai shall pledge its equity interest in all existing or future subsidiaries and associated companies of Suchuang Shanghai in favour of Taicang Natural Gas as security for the repayment of the remaining loan;
 - (iii) prior to full repayment of the Suchuang Shanghai Loan, if Suchuang Shanghai disposes of equity interest in any subsidiaries or associated companies or if Suchuang Shanghai dispose of any assets, Suchuang Shanghai shall first obtain the written consent of Taicang Natural Gas and shall pay the corresponding consideration to Taicang Natural Gas to which Suchuang Shanghai is entitled (excluding the relevant taxes, if any) for the repayment of the loan;

- (c) the Offeror will directly withhold an amount equal to the guarantee provided by Taicang Natural Gas to Kuqa Branch of Agricultural Development Bank of China for the Xinjiang Dunhua Loan from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective. The amount withheld will be paid by the Offeror to Total Honest in the event that (i) Total Honest and/or Fung Yu provides counter-guarantees to the satisfaction of the Offeror; or (ii) the guarantee for the Xinjiang Dunhua Loan is released. In the event that the Xinjiang Dunhua Loan is repaid and Total Honest provides relevant valid proof of payment to the Offeror, then the Offeror shall within seven days thereafter reduce the counter-guarantees provided by Total Honest and/or Fung Yu by the amount repaid; and
- (d) the US Loan will be directly deducted by the Offeror from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective, and transmitted by the Offeror to the Company. Accordingly, under the Controlling Shareholders Irrevocable Undertaking, Total Honest has given written instructions to the Offeror to deduct the amount of the US Loan directly from Total Honest Cash Cancellation Consideration and pay such amount to the Company.

After the above settlement, Total Honest, Suchuang Shanghai, Suchuang Dunhua and Argus Holding and their respective subsidiaries would no longer have any loans, debts, guarantees, or other financial assistance and arrangements with the Group, except:

- (i) the pledge agreement for the remaining loan in (b)(ii) above; and
- (ii) any counter-guarantee provided by Total Honest and/or Fung Yu for the Xinjiang Dunhua Loan.

Total Honest and Fung Yu have agreed and undertaken that if the Total Honest Cash Cancellation Consideration is less than or inadequate to offset the total amount of the following at the date of Special Deal Completion:–

- (a) the adjusted payable of the consideration payable under the Special Deal Agreement;
- (b) the payable amount of the payable under the US Loan as of the date of the Special Deal Completion;
- (c) the payable amount of RMB138 million from the balance of the Suchuang Shanghai Loan; and
- (d) if Total Honest and/or Fung Yu do not provide counter-guarantees satisfactory to the Offeror, the remaining amount of the Xinjiang Dunhua Loan secured by the guarantee by Taicang Natural Gas as of the date of the Special Deal Completion (together with (a), (b) and (c), the “**Relevant Total**”),

the balance (the “**Balance**”) of the Relevant Total less the amount of Total Honest Cash Cancellation Consideration shall be paid by Fung Yu.

Under the Controlling Shareholders Irrevocable Undertaking, Fung Yu has given written instructions to the Offeror to deduct the Balance from the Fung Yu Cash Cancellation Consideration payable. The amount shall be directly paid by the Offeror to the Company and Suchuang Hong Kong (for (a), (b) and (c) above) or retained by the Offeror (for (d) above).

Conditions Precedent to the Special Deal Agreement

Conditions precedent to the Special Deal Agreement are as follows:–

- (a) the consent of the Executive has been obtained pursuant to Note 4 to Rule 25 of the Takeovers Code for the transactions contemplated under the Special Deal Agreement (other than Kunshan Transfer), the Independent Financial Adviser has issued a letter recommending the passing of a resolution by the Shareholders to approve the transactions contemplated under the Special Deal Agreement (other than Kunshan Transfer); and the Company has approved the transactions and the arrangements under the Special Deal Agreement (other than Kunshan Transfer) by a resolution of the Independent Shareholders in accordance with the applicable requirements of the Listing Rules and the Takeovers Code;
- (b) all consents, permissions, licences and authorisations of any relevant governmental authority or agency necessary and desirable for the execution and completion of the transactions under the Special Deal Agreement having been obtained and remaining in full force and effect in accordance with the provisions of any law or regulation of any relevant jurisdiction. As at the Latest Practicable Date, save for condition (a), the Company was not aware of any consents, permissions, licences or authorisations of any relevant governmental authority or agency that is necessary and desirable for the execution and completion of the transactions under the Special Deal Agreement;
- (c) for the Kunshan Transfer: (i) the consent of other shareholders of Kunshan Anda to the Kunshan Transfer and their written confirmation of the waiver of their respective rights of first refusal having been obtained; and (ii) Taicang Natural Gas obtaining a written consent for the Kunshan Transfer from the Suzhou Branch of China Merchants Bank Co., Ltd; and
- (d) there is no regulatory action, court order or legal proceeding which would render the transactions contemplated by this Special Deal Agreement unlawful or prohibit or restrict their completion.

None of the above conditions precedent above shall be waived, except that (b), (c) and (d) above may be waived by the written consent of the parties to the Special Deal Agreement.

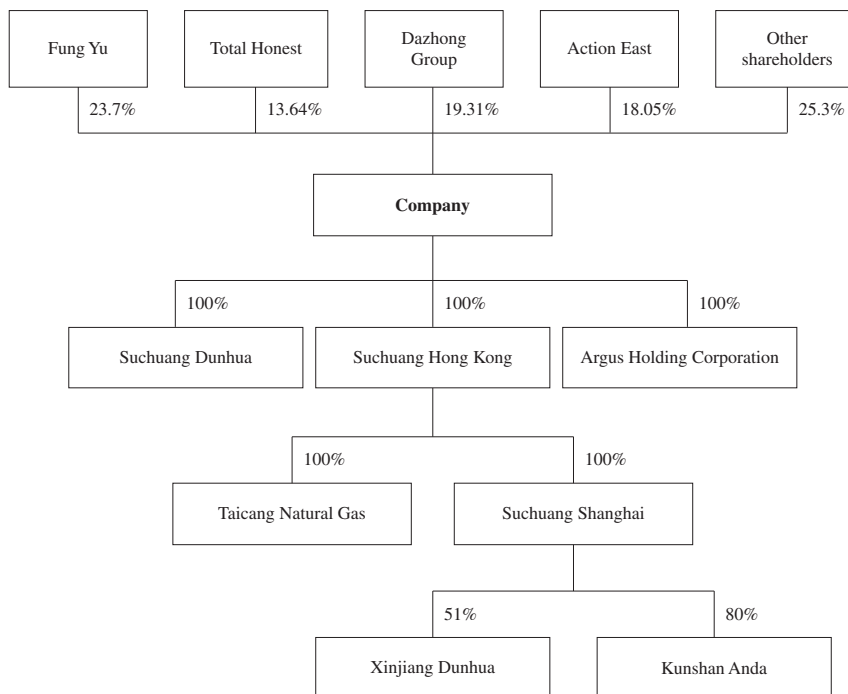
If the conditions precedent set out above are not fulfilled or waived (as the case may be) on or before the long stop date for the Special Deal Agreement (please see the immediately following sub-section), the Special Deal Agreement shall be terminated and neither party shall have any claim against the other except for any rights accrued by the parties prior to termination. None of the conditions precedent set out above has been fulfilled or waived as at the Latest Practicable Date.

Special Deal Completion

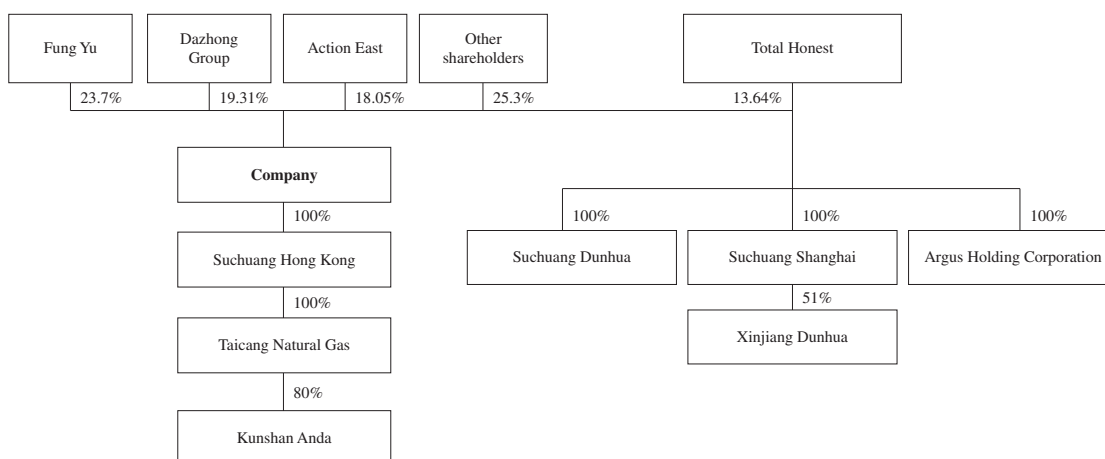
In the event that all the conditions precedent to the Special Deal Agreement are satisfied (or waived), the Special Deal Completion will take place within seven days following the Scheme becoming effective (or other relevant time agreed by the parties in writing) but in any event, no later than one business day before the despatch of cheques to Scheme Shareholders (pursuant to the terms of the Proposal).

The long stop date of the Special Deal Agreement was 15 March 2022 (which was extended to 31 August 2022 pursuant to the Supplemental Agreement to Special Deal Agreement).

The chart below sets out the simplified corporate structure of the Company as at the Latest Practicable Date:



The chart below sets out the simplified corporate structure of the Company immediately upon the Special Deal Completion (assuming the Scheme has not become effective):



Upon the Special Deal Completion, Kunshan Anda will continue to be a subsidiary of the Company. Suchuang Dunhua, Suchuang Shanghai and Argus Holding will no longer be subsidiaries of the Company.

Supplemental Agreement to Special Deal Agreement

On 14 March 2022, the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas entered into a supplemental agreement to the Special Deal Agreement, pursuant to which the long stop date of the Special Deal Agreement was extended from 15 March 2022 to 31 August 2022.

Financial information of the Disposal Group

The following table is a summary of certain unaudited combined financial information of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 as disclosed in the Announcement, which was prepared based on the audited financial information from the annual reports of the Company for the years ended 31 December 2019 and 31 December 2020, respectively:

	Year ended 31 December	
	2019 <i>(unaudited)</i> RMB ('000)	2020 <i>(unaudited)</i> RMB ('000)
Combined revenue	2,595	3,334
Combined gross profit	2,510	3,334
Combined profit/(loss) before income tax	(16,696)	(11,779)
Combined profit/(loss) for the year attributable to the owners of the parent of the Disposal Group	(12,707)	(8,907)
Combined net asset value attributable to shareholders	(1,649)	(9,563)

The auditors of the Company have identified certain adjustments when preparing the audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and the audited pro-forma consolidated financial statements of Suchuang Shanghai for the six months ended 30 June 2021. The following table is a summary of unaudited financial information of the Disposal Group for the year ended 31 December 2019 and 2020 with the relevant adjustments applied:

	Year ended 31 December	
	2019 <i>(unaudited)</i> RMB ('000)	2020 <i>(unaudited)</i> RMB ('000)
Combined revenue	2,595	3,334
Combined gross profit	2,510	3,334
Combined profit/(loss) before income tax	(17,137)	(11,629)
Combined profit/(loss) for the year attributable to the owners of the parent of the Disposal Group	(14,517)	(8,215)
Combined net asset value attributable to shareholders	(3,167)	(10,389)

The unaudited combined gross profit, loss before income tax and loss for the year attributable to the owners of the parent of the Disposal Group for the two years ended 31 December 2019 and 31 December 2020 have been prepared by combining the unaudited historical financial information of the Disposal Group on the basis that the Disposal Group are controlled by the Group, which is consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019 and 2020, respectively.

Below is the breakdown of (i) the loss before income tax and (ii) loss for the year attributable to the owners of the parent, for each of Argus Holding, Suchuang Dunhua and Suchuang Shanghai for the years ended 31 December 2019 and 2020.

Profit/(loss) before income tax

	Year ended 31 December	
	2019 <i>(unaudited)</i> RMB ('000)	2020 <i>(unaudited)</i> RMB ('000)
Argus Holding	(10,977)	(120)
Suchuang Dunhua	0	0
Suchuang Shanghai	(6,160)	(11,509)
Total	(17,137)	(11,629)

Profit / (loss) after taxation

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Argus Holding	(10,977)	(120)
Suchuang Dunhua	0	0
Suchuang Shanghai	(5,764)	(9,072)
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </u>

Profit/(loss) for the year attributable to the owners of the parent of the Disposal Group

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Argus Holding	(10,970)	(114)
Suchuang Dunhua	0	0
Suchuang Shanghai	(3,547)	(8,101)
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </u>

The disclosure of the above unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 constitute a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors in accordance with note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

In compliance with the requirement under Rule 10 of the Takeovers Code, the unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 have been reported on by Ernst & Young, the auditor of the Company, and Essence. The respective reports from Ernst & Young and Essence in this regard are set out in Appendices IV and V respectively to this Scheme Document.

The audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and the audited pro-forma consolidated financial statements of Suchuang Shanghai for the six months ended 30 June 2021 are set out in Appendix IIA headed "Financial Information of Argus Holding", Appendix IIB headed "Financial Information of Suchuang Dunhua" and Appendix IIC headed "Financial Information of Suchuang Shanghai" to this Scheme Document, respectively.

As at the Latest Practicable Date, Suchuang Dunhua was an investment holding entity which did not have any business operations, and did not record any material income or expenses for the six months ended 30 June 2021. As at 30 June 2021, the principal asset held by Argus Holding is its investment in a convertible promissory note (“CPN”) issued by G2 Net-Zero LNG LLC, a company incorporated in Louisiana, the US. Based on the valuation report of the Valuer as set out in Appendix IIIA to this Scheme Document, the value of the CPN was approximately US\$14,988,308 as at 28 February 2022.

As at 30 June 2021, the combined audited net book value of the Disposal Group was approximately negative RMB34.67 million (comprising the net book value of each of Suchuang Shanghai, Argus Holding and Suchuang Dunhua, being approximately negative RMB41.12 million, US\$1 million and HK\$100 respectively), while the consideration under the Special Deal Agreement (including the settlement of intra-group loans) is approximately RMB400.76 million. Therefore it is estimated that the Group will recognize a gain of approximately RMB55.34 million (before tax) as of 30 June 2021 upon the Special Deal Completion:

		<i>(approx. RMB million)</i>
Consideration for:		
<i>Suchuang Shanghai</i>		–
<i>Argus Holding</i> ^(Note 1)		6.47
<i>Suchuang Dunhua</i> ^(Note 1)		0.00
Intra-group loans ^(Note 2)		<u>394.29</u>
Total consideration after the settlement of intra-group loans	<i>a</i>	<u>400.76</u>
Net assets of:		
<i>Suchuang Shanghai</i>		(41.12)
<i>Argus Holding</i> ^(Note 1)		6.47
<i>Suchuang Dunhua</i> ^(Note 1)		0.00
Intra-group loans ^(Note 2)		<u>394.29</u>
Net assets of Disposal Group after the settlement of intra-group loans	<i>b</i>	<u>359.64</u>
Equity attributable to the non-controlling interests	<i>c</i>	<u>14.22</u>
Disposal gains	<i>d=a-(b-c)</i>	<u><u>55.34</u></u>

Notes:

1. Net assets of Argus Holding and Suchuang Dunhua are US\$1 million and HK\$100 respectively, which are equivalent to RMB6.47 million and RMB83.1 using the exchange rates of HK\$1.00 = RMB0.83104 and US\$1.00 = RMB6.4728.

2. The intra-group loan consist of (i) Suchuang Shanghai Loan in the amount of RMB305.42 million as at 30 June 2021 and (ii) US Loan in the amount of US\$13.73 million as at 30 June 2021 which is equivalent to RMB88.87 million using the exchange rate of US\$1.00 = RMB6.4728, resulting in intra-group loans totalling RMB394.29 million.

It is expected that the net sale proceeds under the Special Deal Agreement payable upon completion will be approximately RMB233.35 million and will be applied by the Group for general working capital. The net sale proceeds was arrived at by deducting (i) the Kunshan Anda Loan of approximately RMB1.03 million, (ii) the consideration for the Kunshan Transfer of approximately RMB104.40 million and (iii) the repayment of RMB61.98 million by Suchuang Shanghai within two years from the date of the Special Deal Completion from the aggregate amount of intragroup loan (as at 30 June 2021) and the considerations for Hong Kong Transfer, US Transfer and Shanghai Transfer of approximately RMB400.76 million.

Based on the audited financial information of the Disposal Group as set out in Appendix IIA, Appendix IIB and Appendix IIC to this Scheme Document, assuming the Hong Kong Transfer, the US Transfer and the Shanghai Transfer had been completed on 30 June 2021, as at 30 June 2021, the Group's total assets would decrease by approximately RMB321.29 million from approximately RMB2,057.11 million to approximately RMB1,735.82 million; the Group's total liabilities would decrease by approximately RMB355.96 million from approximately RMB1,009.76 million to approximately RMB653.80 million and for the six months ended 30 June 2021, the Group's loss would decrease by approximately RMB55.34 million from approximately net loss of RMB490.33 million to approximately net loss of RMB434.99 million.

Reasons and benefits of entering into the Special Deal Agreement

Taking into account the Proposal, the Company has agreed to restructure its shareholdings in some investments so as to dispose its non-core businesses. The Disposal Group comprises the Company's investment holdings in natural gas businesses outside the PRC and subsidiaries focusing on promoting technologies for nitrogen and carbon dioxide. Through the Special Deal Agreement, the Group will be able to divest its investment in non-core business at a fair consideration while at the same time focus on its principal business in natural gas sales and distribution in the PRC.

In view of the above reasons and benefits, and taking into account the financial performance of the Disposal Group, the Board considered the considerations payable by Total Honest to the Company and Suchuang Hong Kong for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer were fair and reasonable and in the interests of the Company and its shareholders as a whole.

Directors' interests in the Special Deal Agreement

Subsequent to the completion of the Special Deal Agreement, Total Honest will become the holding company of Suchuang Dunhua, Suchuang Shanghai and Argus Holding. Total Honest is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First

Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Accordingly, Ms. Su Yi and Ms. Su Wen have voluntarily abstained from voting on the relevant Board resolutions.

Apart from the above, none of the Directors has any material interest in the Special Deal Agreement and/or the Supplemental Agreement to Special Deal Agreement and is required to abstain from voting on the Board resolutions approving the Special Deal Agreement, the Supplemental Agreement to Special Deal Agreement and the transactions contemplated thereunder. Notwithstanding Mr. Li Jianyi was involved in the negotiation of the Special Deal Agreement, Mr. Li Jianyi personally does not have a material interest in the Special Deal Agreement, and therefore did not abstain from voting on the Board resolutions approving the Special Deal Agreement, the Supplemental Agreement to Special Deal Agreement and the transactions contemplated thereunder.

Takeovers Code implications

Hong Kong Transfer, US Transfer and Shanghai Transfer constitute disposals of the Group's assets to the Controlling Shareholders, and they are therefore special deals under Note 4 of Rule 25 of the Takeovers Code. As Kunshan Transfer is an intra-group transfer of the Group, it does not constitute a special deal under Rule 25 of the Takeovers Code. The Offeror has made an application to seek consent of the Executive for the Special Deals. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the General Meeting. Save for the Controlling Shareholders and Mr. Li Jianyi (who was involved in the negotiation of the Special Deal Agreement), no Shareholders are involved or interested in the Special Deals. As such, no Shareholder other than the Controlling Shareholders (being Offeror Concert Parties) and Mr. Li Jianyi will abstain from voting on the resolution approving the Special Deals to be proposed at the General Meeting pursuant to the Takeovers Code. The Takeovers Code IBC will advise the Independent Shareholders as to whether the terms of the Special Deals are, or are not, fair and reasonable, and whether to vote in favour of the Special Deals at the General Meeting.

The Independent Financial Adviser has been appointed by the Company and approved by the Takeovers Code IBC to advise the Takeovers Code IBC and Independent Shareholders in respect of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and transactions contemplated thereunder (other than Kunshan Transfer) (as a special deal under Note 4 to Rule 25 of the Takeovers Code).

Listing Rules implications

As at the date of the Special Deal Agreement and of the Supplemental Agreement to Special Deal Agreement, the Company was owned as to approximately 23.76% by Fung Yu and approximately 13.64% by Total Honest. Fung Yu and Total Honest, as substantial shareholders of the Company, are connected persons of the Company. As such, the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer) constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the US Transfer and the Shanghai Transfer exceed 5% but all are less than 25%, each of the US Transfer and the Shanghai Transfer standalone constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules but exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As all of the applicable percentage ratios in respect of the Hong Kong Transfer are less than 5%, the Hong Kong Transfer standalone is fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with Rule 14.22 of the Listing Rules, the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) should be aggregated. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer) exceed 25% but all are less than 75%, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer) constitutes a major transaction for the Company, and is subject to the reporting, announcement, circular and shareholder's approval requirements pursuant to Chapter 14 of the Listing Rules.

The Company will at the General Meeting seek approval from the Independent Shareholders for entering into the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder.

The Directors confirm that, save for the Controlling Shareholders, no Shareholder has a material interest in the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder. Since Mr. Li Jianyi was involved in the negotiation of the Special Deal Agreement, he is required to abstain from voting on the resolution approving the Special Deals. As such, no Shareholder other than the Controlling Shareholders and their respective associates (as defined under the Listing Rules) and Mr. Li Jianyi will abstain from voting on the resolution(s) for approving the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder to be proposed at the General Meeting. The Directors confirm that there was (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon Fung Yu and Total Honest; and (ii) no obligation or entitlement of Fung Yu and Total Honest as at the Latest Practicable Date, whereby any of it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing, has been formed to advise the Independent Shareholders on the Special Deal Agreement (as amended by the Supplemental to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

The Independent Financial Adviser has been appointed with the approval of the Listing Rules IBC to advise the Listing Rules IBC on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

The Directors (including the independent non-executive Directors) were of the view that the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) is in the interest of the Company and the Shareholders as a whole.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 903,084,000 Shares in issue, all of which are Scheme Shares.

As at the Latest Practicable Date, the Offeror did not hold any Shares and the Offeror Concert Parties held 450,894,000 Shares, representing 49.93% of the issued share capital of the Company. On the assumption that (i) no Outstanding Share Options were exercised before the Option Record Date, (ii) all Scheme Shareholders (including the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative) elect the Cash Alternative, (iii) no Scheme Shareholder elects the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares (Note 2)</i>	<i>Approximate percentage of the issued share capital</i>
Offeror	–	–	903,084,000	100.00%
Offeror Concert Parties				
Fung Yu (<i>Note 3</i>)	214,546,000	23.76%	–	–
Total Honest (<i>Note 4</i>)	123,138,000	13.64%	–	–
Minority IU Shareholders (<i>Note 5</i>)	90,812,000	10.06%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (<i>Note 6</i>)	22,398,000	2.48%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	450,894,000	49.93%	903,084,000	100.00%

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 2)</i>
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 7)	129,344,000	14.32%	–	–
Shanghai Dazhong (Note 7)	45,000,000	4.98%	–	–
Action East (Note 8)	163,040,000	18.05%	–	–
Mr. Du Shaozhou (Note 9)	100,000	0.01%	–	–
Mr. Li Jianyi (Note 10)	96,000	0.01%	–	–
Other Disinterested Shareholders	114,610,000	12.69%	–	–
Total number of Shares	903,084,000	100.00%	903,084,000	100.00%
Total number of Scheme Shares	903,084,000	100.00%	–	–
Total number of Disinterested Shares	452,190,000	50.07%	–	–

Notes:

- All percentages in the above table are approximations.
- Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that no Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
- 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.

4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed “4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings” above.
6. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed “4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement” above.
7. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
8. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
9. Mr. Du Shaozhou is an executive Director and chief executive officer of the Company.
10. Mr. Li Jianyi is an executive Director.

On the assumption that (i) no Outstanding Share Options were exercised before the Option Record Date, (ii) the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative elect the Cash Alternative, (iii) all the other Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares (Note 2)</i>	<i>Approximate percentage of the issued share capital</i>
Offeror	–	–	450,894,000	49.93%
Offeror Concert Parties				
HoldCo	–	–	452,190,000	50.07%
Fung Yu (Note 3)	214,546,000	23.76%	–	–
Total Honest (Note 4)	123,138,000	13.64%	–	–
Minority IU Shareholders (Note 5)	90,812,000	10.06%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 6)	22,398,000	2.48%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	450,894,000	49.93%	903,084,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 7)	129,344,000	14.32%	–	–
Shanghai Dazhong (Note 7)	45,000,000	4.98%	–	–
Action East (Note 8)	163,040,000	18.05%	–	–
Mr. Du Shaozhou (Note 9)	100,000	0.01%	–	–
Mr. Li Jianyi (Note 10)	96,000	0.01%	–	–
Other Disinterested Shareholders	114,610,000	12.69%	–	–
Total number of Shares	903,084,000	100.00%	903,084,000	100.00%
Total number of Scheme Shares	903,084,000	100.00%	–	–
Total number of Disinterested Shares	452,190,000	50.07%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that no Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
7. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
8. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
9. Mr. Du Shaozhou is an executive Director and chief executive officer of the Company.
10. Mr. Li Jianyi is an executive Director.

Share Options

As at the Latest Practicable Date, there were 50,250,000 Outstanding Share Options granted under the Share Option Scheme, of which 16,500,000 Share Options had an exercise price of HK\$2.00, 19,250,000 Share Options had an exercise price of HK\$2.28 and 14,500,000 Share Options had an exercise price of HK\$3.06. As at the Latest Practicable Date, all the Share Options under the Share Option Scheme had been granted. The Company will not grant any further Share Options under the Share Option Scheme before the Long Stop Date.

As at the Latest Practicable Date, save for the 2,200,000 Share Options owned by Mr. Su Aping and the 7,000,000 Share Options owned by Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司), the Offeror and the Offeror Concert Parties do not own any Share Options.

The exercise of all the Outstanding Share Options in full would result in the issue of 50,250,000 new Shares (representing approximately 5.56% of the issued share capital of the Company as at the Latest Practicable Date) and approximately 5.27% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Accordingly, the Offeror is making (or procuring to be made on their behalf) the Option Offer for the 50,250,000 Outstanding Share Options assuming no exercise or lapse of such Share Options by them before the Option Record Date. Such Option Offer will be conditional upon the Scheme becoming effective.

The Option Offer Letter to holders of Share Options setting out the terms and conditions of the Option Offer is being despatched separately to holders of Share Options and is substantially in the form set out in “Appendix XI – Form of Option Offer Letter” to this Scheme Document.

On the assumption that (i) all Share Options were exercised before the Latest Practicable Date, (ii) all Scheme Shareholders (including the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative) elect the Cash Alternative, (iii) no Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares (Note 2)</i>	<i>Approximate percentage of the issued share capital</i>
Offeror	–	–	953,334,000	100.00%
Offeror Concert Parties				
Fung Yu (Note 3)	214,546,000	22.50%	–	–
Total Honest (Note 4)	123,138,000	12.92%	–	–

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate percentage of the issued share capital (Note 1)	Number of Shares (Note 2)	Approximate percentage of the issued share capital
Su Aping (Notes 3,4)	2,200,000	0.23%	–	–
Minority IU Shareholders (Note 5)	90,812,000	9.53%	–	–
Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) (Note 6)	7,000,000	0.73%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 7)	22,398,000	2.35%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	460,094,000	48.26%	953,334,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 8)	129,344,000	13.57%	–	–
Shanghai Dazhong (Note 8)	45,000,000	4.72%	–	–
Action East (Note 9)	163,040,000	17.10%	–	–
Ms. Su Yi (Note 10, 11)	2,150,000	0.23%	–	–
Mr. Du Shaozhou (Note 11)	2,300,000	0.24%	–	–
Mr. Li Jianyi (Note 11)	1,946,000	0.20%	–	–
Mr. Xu Lei (Note 11)	300,000	0.03%	–	–
Mr. Zhou Qingzu (Note 11)	300,000	0.03%	–	–
Other Disinterested Shareholders	148,860,000	15.61%	–	–
Total number of Shares	953,334,000	100.00%	953,334,000	100.00%
Total number of Scheme Shares	953,334,000	100.00%	–	–
Total number of Disinterested Shares	493,240,000	51.74%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.
7. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
8. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
9. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
10. Ms. Su Yi is the beneficial owner of 2,150,000 Share Options. In addition, Ms. Su Yi is one of the several eligible beneficiaries of two discretionary trusts which are interested in 214,546,000 Shares and 123,138,000 Shares in the Company, as stated in Notes 3 and 4 above, respectively.
11. Ms. Su Yi, Mr. Du Shaozhou and Mr. Li Jianyi are the executive Directors. Mr. Xu Lei is a non-executive Director and Mr. Zhou Qingzu is an independent non-executive Director.

On the assumption that (i) all Share Options were exercised before the Latest Practicable Date, (ii) the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative, (iii) all the other Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate percentage of the issued share capital (Note 1)	Number of Shares (Note 2)	Approximate percentage of the issued share capital
Offeror	–	–	460,094,000	48.26%
Offeror Concert Parties				
HoldCo (Note 3)	–	–	493,240,000	51.74%
Fung Yu (Note 3)	214,546,000	22.50%	–	–
Total Honest (Note 4)	123,138,000	12.92%	–	–
Su Aping (Notes 3,4)	2,200,000	0.23%	–	–
Minority IU Shareholders (Note 5)	90,812,000	9.53%	–	–
Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) (Note 6)	7,000,000	0.73%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 7)	22,398,000	2.35%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	460,094,000	48.26%	953,334,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 8)	129,344,000	13.57%	–	–
Shanghai Dazhong (Note 8)	45,000,000	4.72%	–	–
Action East (Note 9)	163,040,000	17.10%	–	–
Ms. Su Yi (Note 10, 11)	2,150,000	0.23%	–	–
Mr. Du Shaozhou (Note 11)	2,300,000	0.24%	–	–
Mr. Li Jianyi (Note 11)	1,946,000	0.20%	–	–
Mr. Xu Lei (Note 11)	300,000	0.03%	–	–
Mr. Zhou Qingzu (Note 11)	300,000	0.03%	–	–
Other Disinterested Shareholders	148,860,000	15.61%	–	–
Total number of Shares	953,334,000	100.00%	953,334,000	100.00%
Total number of Scheme Shares	953,334,000	100.00%	–	–
Total number of Disinterested Shares	493,240,000	51.74%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.
7. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
8. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with stock code 600635 and the H shares of which are listed on the Stock Exchange with stock code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
9. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
10. Ms. Su Yi is the beneficial owner of 2,150,000 Share Options. In addition, Ms. Su Yi is one of the several eligible beneficiaries of two discretionary trusts which are interested in 214,546,000 Shares and 123,138,000 Shares in the Company, as stated in Notes 3 and 4 above, respectively.
11. Ms. Su Yi, Mr. Du Shaozhou and Mr. Li Jianyi are the executive Directors. Mr. Xu Lei is a non-executive Director and Mr. Zhou Qingzu is an independent non-executive Director.

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 903,084,000 Shares, and the Company had 50,250,000 Outstanding Share Options;
- (b) save as the Irrevocable Undertakings, the Minority IU Shareholders Irrevocable Undertakings, the Entrustment Minority Shareholders Irrevocable Undertakings, and as disclosed in the section headed “6. Shareholding Structure of the Company” in this “Letter from the Board”, the Offeror and the Offeror Concert Parties did not legally and beneficially own, control or have direction over any Shares or Share Options;
- (c) save for the 2,200,000 Share Options owned by Mr. Su Aping and the 7,000,000 Share Options owned by Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司), there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (d) none of the Offeror and the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (e) none of the Offeror and the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (f) save as disclosed below, none of the Directors, the Offeror, its directors, the directors of HoldCo and the Offeror Concert Parties had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period:

In respect of the Shares

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-02-26	Fairy Wealth Investments Limited	Purchase of Shares	10,000	2.03	20,300.00	On-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	28,000	2	56,000.00	On-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.01	4,020.00	On-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.02	4,040.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.99	19,900.00	On-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	14,000	2	28,000.00	On-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	6,000	2.02	12,120.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.99	7,960.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	10,000	2	20,000.00	On-market
2021-03-25	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-03-31	Fairy Wealth Investments Limited	Purchase of Shares	22,000	1.97	43,340.00	On-market
2021-03-31	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	50,000	1.96	98,000.00	On-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.98	19,800.00	On-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.99	3,980.00	On-market
2021-04-08	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-04-08	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.99	15,920.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-04-15	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-04-26	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-04-29	Fairy Wealth Investments Limited	Purchase of Shares	52,000	1.99	103,480.00	On-market
2021-04-29	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-05-05	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.99	39,800.00	On-market
2021-05-05	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-05-06	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.99	19,900.00	On-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	24,000	1.98	47,520.00	On-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.99	39,800.00	On-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2	4,000.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	22,000	1.98	43,560.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	26,000	1.99	51,740.00	On-market
2021-05-13	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.98	27,720.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-05-13	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.99	27,860.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.99	3,980.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	42,000	1.92	80,640.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.93	7,720.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	34,000	1.97	66,980.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.96	27,440.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	16,000	1.97	31,520.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-20	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.97	15,760.00	On-market
2021-05-20	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-05-21	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-05-21	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-28	Fairy Wealth Investments Limited	Purchase of Shares	12,000	1.96	23,520.00	On-market
2021-05-28	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-06-08	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.93	38,600.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.94	19,400.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	16,000	1.95	31,200.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.96	27,440.00	On-market
2021-06-16	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.94	7,760.00	On-market
2021-06-16	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.96	15,680.00	On-market
2021-06-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-06-17	Fairy Wealth Investments Limited	Purchase of Shares	26,000	1.96	50,960.00	On-market
2021-07-09	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.96	19,600.00	On-market
2021-07-19	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	6,000	1.94	11,640.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	14,000	1.94	27,160.00	On-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	10,000	1.94	19,400.00	On-market
2021-03-05	Zhang Hong (張紅)	Purchase of Shares	14,000	1.97	27,580.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	4,000	2.05	8,200.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	2,000	2.05	4,100.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-11	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	2,000	2.03	4,060.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	8,000	2.03	16,240.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2	4,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2	4,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.01	8,040.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.02	8,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.02	8,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2	8,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2	4,000.00	On-market
2021-03-31	Zhang Hong (張紅)	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.97	3,940.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	6,000	1.99	11,940.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	12,000	1.99	23,880.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	2	4,000.00	On-market
2021-04-26	Zhang Hong (張紅)	Sale of Shares	(2,000)	2	4,000.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-07-08	Zhang Hong (張紅)	Purchase of Shares	24,000	1.97	47,280.00	On-market
2021-07-09	Zhang Hong (張紅)	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-07-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.97	3,940.00	On-market
2021-03-08	Xiang Liwen (項麗雯)	Sale of Shares	(6,000)	2.05	12,300.00	On-market

In respect of the Share Options

Date of transaction	Name	Nature of dealing	No. of Shares involved	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-02-28	Ms. Su Yi	Vesting of Share Options	430,000	N/A	N/A	N/A
2022-02-28	Ms. Su Yi	Vesting of Share Options	30,000	N/A	N/A	N/A
2021-02-28	Mr. Du Shaozhou	Vesting of Share Options	440,000	N/A	N/A	N/A
2022-02-28	Mr. Du Shaozhou	Vesting of Share Options	40,000	N/A	N/A	N/A

Date of transaction	Name	Nature of dealing	No. of Shares involved	Price	On-market/	
				per Share	Consideration	off-market
				(HK\$')	(approximately HK\$')	
2021-02-28	Mr. Li Jianyi	Vesting of Share Options	370,000	N/A	N/A	N/A
2022-02-28	Mr. Li Jianyi	Vesting of Share Options	300,000	N/A	N/A	N/A
2021-02-28	Mr. Xu Lei	Vesting of Share Options	60,000	N/A	N/A	N/A
2022-02-28	Mr. Xu Lei	Vesting of Share Options	20,000	N/A	N/A	N/A
2021-02-28	Mr. Zhou Qingzu	Vesting of Share Options	60,000	N/A	N/A	N/A
2022-02-28	Mr. Zhou Qingzu	Vesting of Share Options	20,000	N/A	N/A	N/A
2021-02-28	Ms. Zhu Yaying (朱亞英)	Vesting of Share Options	430,000	N/A	N/A	N/A
2021-12-23	Ms. Zhu Yaying (朱亞英)	Lapse of Share Options	2,150,000	N/A	N/A	N/A
2021-02-28	Mr. Su Aping (蘇阿平)	Vesting of Share Options	440,000	N/A	N/A	N/A
2021-02-28	Shanghai Jieling Technology Co., Ltd. (上海捷凌科技有限公司) ^(Note)	Vesting of Share Options	1,400,000	N/A	N/A	N/A
2022-02-28	Shanghai Jieling Technology Co., Ltd. (上海捷凌科技有限公司) ^(Note)	Vesting of Share Options	1,400,000	N/A	N/A	N/A

Note: Shanghai Jieling Technology Co., Ltd. (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.

During the Relevant Period, the highest and lowest trading prices of the Shares dealt by the aforementioned Minority IU Shareholders were HK\$2.05 per Share and HK\$1.92 per Share, respectively.

As at the Latest Practicable Date, the Scheme Shares, comprising 903,084,000 Shares, represented 100% of the issued Shares.

As at the Latest Practicable Date, the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 903,084,000 Shares and the 50,250,000 Outstanding Share Options.

CICC is the financial adviser to the Offeror in connection with the Proposal. Accordingly, CICC and relevant members of the CICC group which hold Shares on an own account or discretionary managed basis are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of “acting in concert” under the Takeovers Code (except in respect of Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code).

Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the CICC group acting in the capacity of exempt principal traders will not be voted at the Court Meeting unless the Executive allows any such Shares to be so voted. Shares held by any member of the CICC group acting in the capacity of exempt principal trader may, subject to the consent of the Executive, be allowed to be voted at the Court Meeting if: (a) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of any non-discretionary client; (b) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over the relevant Shares; (c) all voting instructions originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by such member of the CICC group); and (d) such non-discretionary client is not an Offeror Concert Party. As at the Latest Practicable Date, no shares for and on behalf of non-discretionary clients are held by members of the CICC group acting in the capacity of exempt principal trader.

7. FINANCIAL RESOURCES

On the assumption that (a) all Scheme Shareholders elect the Cash Alternative, (b)(i) all Outstanding Share Options as at the Option Record Date were exercised and all the Optionholders of such Share Options become Scheme Shareholders on or before the Scheme Record Date and elect the Cash Alternatives, and (ii) no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal would be approximately HK\$2,388,710,000.

The Offeror would be financing the entire cash amount required for the Proposal and the Option Offer by intra-group financing from its controlling shareholder, China Resources (Holdings) Company Limited. The payment of interest on, repayment of or security for any liability (contingent or otherwise) in respect of the said intra-group financing will not depend to any significant extent on the business of the Company.

CICC, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

8. REASONS FOR, AND BENEFITS OF, THE PROPOSAL**For the Offeror:*****(a) Facilitate the strategic goals in expansion of the natural gas business within Yangtze River Delta Region***

The Offeror considers that the Company is well-positioned in the market for the natural gas business in Taicang, the PRC, a core location in the Yangtze River Delta Region with strategic importance in the natural gas distribution pipeline. After completion of the Proposal, the Offeror will have acquired the natural gas business of the Company and the Offeror considers that the Offeror will then be able to leverage its nationwide procurement resources, improve the interconnectivity of its natural gas pipelines, and improve the overall operation efficiency of its urban gas distribution in the Yangtze River Delta Region. Hence, the Offeror believes that the acquisition could create synergy and strengthen its urban gas distribution business and will be beneficial to and is in the interest of the Offeror and its shareholders as a whole.

It is the intention of the Offeror that the Group will continue to carry on its current business and expansion goal in natural gas business within Yangtze River Delta Region, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group) upon the successful take-private of the Company, while the Offeror will leverage its own industry expertise to facilitate the Group's development plan in conjunction with the Offeror's development plan. The transaction will allow the Company to be well-positioned to benefit from the long-term growth trends in the PRC. The Offeror does not intend to re-list the Company in the PRC or on any other overseas stock exchanges or make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business.

In respect of the impact of the Proposal to the Offeror, (i) in terms of assets, the Offeror's assets will further increase, (ii) in terms of liabilities, considering the financial resource of the Offer is intra-group financing from Offeror's controlling shareholder, the Offeror's liabilities will increase accordingly, (iii) in terms of profits, leveraging Offeror's nationwide procurement resources may increase the overall operation efficiency and may reduce operation cost, and (iv) in terms of business, the Proposal will allow the Offeror to improve the interconnectivity of its natural gas pipelines in the Yangtze River Delta Region, create synergy and strengthen its urban gas distribution business and will be beneficial to and in the interest of the Offeror and its shareholders as a whole.

The Board is aware of and welcomes the Offeror's intention regarding the Group as set out above.

For the Scheme Shareholders:***(b) Exit investments with limited liquidity and at a compelling premium to the prevailing trading price***

The Offeror notes that the trading liquidity of the Shares has been at a relatively low level over an extended period of time. The average daily trading volume of the Shares for the six months up to and including the Last Trading Day was approximately 21,447 Shares per day, representing only approximately 0.0024% of the issued Shares as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for the Scheme Shareholders to execute on-market trades of Shares without adversely affecting the market price of the Shares or at a notable discount to last trading price. In this regard, the Offeror is of the view that the Proposal provides an opportunity for the Scheme Shareholders to realise their holdings of Shares with limited liquidity in return for cash.

The Offeror considers that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company at a compelling premium over the prevailing market price of the Shares. The cash consideration of HK\$2.50 per Scheme Share under the Cash Alternative represents a premium of approximately 23.76% on the average closing prices of HK\$2.02 for the 180 trading days up to and including the Last Trading Day, respectively.

The Proposal provides the Scheme Shareholders with an opportunity to realise their investments in the Company under the current market uncertainties and volatilities. A number of recent political and economic events (including but not limited to the COVID-19 pandemic) raises uncertainties and volatilities in the global capital markets. Since 2021, the Hang Seng Index has shown an overall downward trend. As of the Last Trading Day, it has decreased by approximately 3.08%.

(c) Opportunity to continue to invest in the Company

The Offeror considers that the Proposal provides the Scheme Shareholders, through the election of Share Alternative, with an opportunity to remain invested and participated in the Company's natural gas business in Taicang, the PRC, subject to the risk factors of holding HoldCo Shares as disclosed in the section headed "2. Terms of the Proposal – Risk factors of electing the Share Alternative" in this "Letter from the Board".

For the Company:

- (d) *Reduce the costs and resources to maintain a listing platform that lacks financing capabilities*

The Offeror considers that due to the low liquidity and the relative underperformance in the trading of the Shares, there will be difficulties to a certain extent for the Company to raise funds from public equity markets, which the Offeror believes is unlikely to see any significant improvement in the near term.

As such, the Offeror believes that the administrative costs and management resources associated with maintaining the Company's listing status are no longer justified. The Proposal will reduce such administrative costs and management resources invested by the Company to maintain a listing platform that lacks financing capabilities, in which the management can focus on the business operations of the Group.

9. INFORMATION ON THE GROUP, THE OFFEROR AND HOLDCO**The Group*****Company***

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange with the stock code 1430. The principal business activities of the Group include distribution and sale of piped natural gas, provision of natural gas transmission and acting as the main contractor of construction and installation of gas pipelines in the PRC.

Suchuang Hong Kong

Suchuang Hong Kong is a company incorporated in Hong Kong with limited liability. The principal business activity of Suchuang Hong Kong is investment holding. Suchuang Hong Kong is a direct wholly-owned subsidiary of the Company.

Argus Holding

Argus Holding is a company incorporated under the laws of the State of Delaware of the United States with limited liability. The principal business activity of Argus Holding is investment holding. Argus Holding is a direct wholly-owned subsidiary of the Company.

Suchuang Dunhua

Suchuang Dunhua is a company incorporated in Hong Kong with limited liability. Suchuang Dunhua has not yet commenced any business or operation since its incorporation. Suchuang Dunhua is a direct wholly-owned subsidiary of the Company.

Suchuang Shanghai

Suchuang Shanghai is a company established in the PRC with limited liability. The principal business activity of Suchuang Shanghai is investment holding. Suchuang Shanghai is a direct wholly-owned subsidiary of Suchuang Hong Kong, which is in turn wholly owned by the Company.

Taicang Natural Gas

Taicang Natural Gas is a company established in the PRC with limited liability. The principal business activities of Taicang Natural Gas are distribution and sale of natural gas, provision of natural gas transmission, main contractor of construction and installation of gas pipelines. Taicang Natural Gas is a direct wholly owned subsidiary of Suchuang Hong Kong, which is in turn wholly owned by the Company.

The following table is a summary of certain audited consolidated financial information of the Group for the years ended 31 December 2019 and 31 December 2020 and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2021, based on the financial information from the 2019 annual report, the 2020 annual report and the interim report for the six months ended 30 June 2021 of the Company:

	Year ended 31 December 2019	Year ended 31 December 2020	Six months ended 30 June 2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	1,329,875	1,181,120	643,959
Gross Profit	248,516	209,680	90,960
Profit/(loss) before income tax	124,915	98,380	(526,909)
Profit/(loss) for the year/period attributable to shareholders	70,150	54,421	(490,039)
Consolidated net asset value attributable to shareholders	1,430,293	1,465,881	956,627

Offeror

The Offeror is a company incorporated in Hong Kong with limited liability, which is indirectly wholly owned by CR Gas, whose shares are listed on the Main Board of the Stock Exchange with stock code 1193. The Offeror is the intermediate holding company of various PRC subsidiaries of CR Gas. CR Gas is an investment holding company and is principally engaged in downstream city gas distribution business including piped natural gas distribution, natural gas filling stations operation and sales of gas appliances in the PRC.

The following table is a summary of certain audited consolidated financial information of CR Gas for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, based on the financial information from the 2019 annual report, the 2020 annual report and the 2021 annual report of CR Gas:

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	56,976,290	55,864,169	78,175,136
Gross Profit	14,213,581	15,027,477	18,295,276
Profit before income tax	8,421,548	8,990,263	11,183,717
Profit for the year/period attributable to shareholders	6,499,743	6,711,888	8,439,832
Consolidated net asset value attributable to shareholders	35,822,215	46,868,359	54,037,662

HoldCo

The HoldCo is a business company incorporated in the British Virgin Islands with limited liability. Before the Scheme becomes effective, (i) all the issued shares of HoldCo, comprising one HoldCo Share, are and will continue to be beneficially and wholly held by the Offeror; and (ii) the directors of the HoldCo are Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe. Mr. Ge Bin is also a director of CR Gas and Mr. Li Xiaoshuang is also a director of the Offeror.

HoldCo will not carry on any business other than matters in connection with the Proposal and the Scheme. HoldCo will not engage in any business other than acting as the holding company of the new Shares of the Company issued to it under the Share Alternative after completion of the Proposal.

10. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from one clear Business Day following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme is included in Part III of this Scheme Document.

11. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Proposal and the Scheme lapse, no change in the shareholding structure of the Company will result from the Proposal and the Scheme, and the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “11. Shareholding Structure of the Company and Scheme Shares” in “Part VIII – Explanatory Memorandum” on pages 233 to 242 of this Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Proposal and the Scheme lapse). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules in the event that the Proposal and the Scheme lapse.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1(a) of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

12. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

If you are an overseas Scheme Shareholders or Optionholder, your attention is drawn to the section headed “18. Overseas Shareholders and Optionholders” in “Part VIII – Explanatory Memorandum” of this Scheme Document.

13. SCHEME SHARES, THE COURT MEETING AND THE GENERAL MEETING

As at the Latest Practicable Date, the Offeror did not hold any Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting. The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

As at the Latest Practicable Date, (i) Fung Yu and Total Honest held in an aggregate of 337,684,000 Shares (representing approximately 37.40% of the issued share capital of the Company), (ii) the Minority IU Shareholders held in an aggregate of 90,812,000 Shares (representing approximately 10.06% of the issued share capital of the Company), (iii) Entrustment Minority Shareholders (through Hwabao) held in an aggregate of 22,398,000 Shares (representing approximately 2.48% of the issued share capital of the Company). Such

Shares (including all the Share Options held by Mr. Su Aping and Ms. Su Yi (if any) assuming they were exercised) will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. As members of the Offeror Concert Parties, the votes of the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (4) (a) and (b) under the section headed “2. Terms of the Proposal – Conditions to the Proposal and the Scheme” in this “Letter from the Board” (as required under Rule 2.10 of the Takeovers Code) are satisfied, but will be counted as votes of Scheme Shareholders in determining whether the requirement under Condition (3) in the section headed “2. Terms of the Proposal – Conditions to the Proposal and the Scheme” in this “Letter from the Board” (as required under Companies Act) is satisfied. Besides Fung Yu, Total Honest, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao), there are no Offeror Concert Parties who held Shares as at the Latest Practicable Date.

All Shareholders will be entitled to attend the General Meeting and vote on (1) the special resolution to approve and give effect to (a) the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, (b) immediately prior to the cancellation and extinguishment of the Scheme Shares taking effect, the allotment and issue to the Offeror of one new Share, (c) the issue to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one, and (d) the application of the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new ordinary shares issued to the Offeror and HoldCo pursuant to such special resolution; and (2) the special resolution to approve the withdrawal of listing of the Shares. The Independent Shareholders, being the Shareholders other than the Controlling Shareholders and Mr. Li Jianyi, are entitled to attend at the General Meeting and vote on the ordinary resolution to approve the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder. The Controlling Shareholders and Mr. Li Jianyi will abstain from voting on the resolution for approving the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder to be proposed at the General Meeting.

14. TAKEOVERS CODE IBC

The Takeovers Code IBC, which comprises all the independent non-executive Directors, namely Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing, has been established by the Board to make a recommendation: (a) to the Disinterested Shareholders and Independent Shareholders (as the case may be) as to whether the terms of the Proposal, the Scheme and the Special Deals are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and the General Meeting and in favour of the Special Deals at the General Meeting; and (b) to the Optionholders as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code IBC comprises all non-executive Directors who have no direct or indirect interest in the Proposal and the Option Offer.

Mr. Zhou Qingzu, an independent non-executive Director, owned 300,000 Share Options as at the Latest Practicable Date.

The interests of Mr. Zhou Qingzu as an Optionholder is no different from the other Scheme Shareholders or Optionholders. Therefore, Mr. Zhou Qingzu is not precluded from being a member of the Takeovers Code IBC.

The non-executive Directors, Mr. Jin Bo and Mr. Xu Lei, are not members of the Takeovers Code IBC given, as of the Latest Practicable Date, (i) Mr. Jin Bo was the vice president and secretary to the board of director of Shanghai Dazhong which is an IU Shareholder, and (ii) Mr. Xu Lei was a director of Action East, which is an IU Shareholder, and he was also a director and a shareholder of Prax Capital China Growth Fund III GP, Ltd., the sole general partner of Prax Capital, which wholly owns Action East. Prax Capital China Growth Fund III GP, Ltd. owned 1% of the interest in Prax Capital as at the Latest Practicable Date.

The full text of the letter from the Takeovers Code IBC is set out in Part V of this Scheme Document.

15. INDEPENDENT FINANCIAL ADVISER

Essence Corporate Finance (Hong Kong) Limited, the Independent Financial Adviser, has been appointed with the approval of the Takeovers Code IBC and Listing Rules IBC to advise the Takeovers Code IBC in connection with, amongst other things, the Proposal, the Special Deals, the Scheme and the Option Offer and to advise the Listing Rules IBC on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

16. GENERAL

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

The Directors (including members of the Takeovers Code IBC) believe that the terms of the Proposal, the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole. As at the Latest Practicable Date,

- (a) other than the Cancellation Consideration payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;

- (b) the Company had no intention to propose, declare or pay any dividends before the Long Stop Date;
- (c) save for the Irrevocable Undertakings, the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme had been received by the Offeror or the Offeror Concert Parties;
- (d) save for the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), the Minority IU Shareholders Irrevocable Undertakings, the Entrustment Minority Shareholders Irrevocable Undertakings, the Deeds of Mortgage and Assignment, the Custodian Agreements, the Minority IU Shareholders Deeds of Mortgage and Assignment, the Minority IU Shareholders Custodian Agreements, the Pledge Documents, the Minority IU Shareholders Loan Agreements, the Action East Deed of Consent and Waiver, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the HoldCo Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal; and
- (e) save as disclosed in this Scheme Document, there were no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

Save for the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), the Minority IU Shareholder Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, the Deeds of Mortgage and Assignment, the Custodian Agreements, the Minority IU Shareholders Deeds of Mortgage and Assignment, the Minority IU Shareholders Custodian Agreements, the Pledge Documents, the Minority IU Shareholders Loan Agreements, the Action East Deed of Consent and Waiver, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), the Offeror confirms that there is no understanding, arrangement or agreement or special deal under Rule 25 of the Takeovers Code between (i) any Shareholder of the Company; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

17. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under “Actions to be Taken” in Part II of this Scheme Document and the section headed “22. Actions to be Taken” in the Explanatory Memorandum in Part VIII of this Scheme Document.

18. REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “17. Registration and Payment” in the Explanatory Memorandum as set out in Part VIII of this Scheme Document.

19. TAXATION

Your attention is drawn to the section headed “19. Taxation” in the Explanatory Memorandum as set out in Part VIII of this Scheme Document.

20. COURT MEETING AND GENERAL MEETING

For the purpose of exercising your right to vote at the Court Meeting and/or the General Meeting, you are requested to read carefully (i) the section headed “21. Court Meeting and the General Meeting” in the Explanatory Memorandum in Part VIII of this Scheme Document; (ii) the section headed “Action to be Taken by Shareholders – Court Meeting and General Meeting” in Part II of this Scheme Document; and (iii) the notices of the Court Meeting and the General Meeting as set out in Appendix IX and Appendix X, respectively, to this Scheme Document.

21. RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Takeovers Code IBC, with respect to the Proposal, the Special Deals, the Scheme and the Option Offer as set out in the letter from the Takeovers Code IBC in Part V of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Financial Adviser to the Listing Rules IBC on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer), as set out in the letter from the Listing Rules IBC in Part VI of this Scheme Document.

22. FURTHER INFORMATION

You are urged to read carefully the following documents:

- (i) the letter from the Takeovers Code IBC as set out in Part V of this Scheme Document;
- (ii) the letter from the Listing Rules IBC as set out in Part VI of this Scheme Document;
- (iii) the letter from the Independent Financial Adviser as set out in Part VII of this Scheme Document;
- (iv) the Explanatory Memorandum as set out in Part VIII of this Scheme Document;
- (v) the appendices to this Scheme Document;

- (vi) the notice of the Court Meeting as set out in Appendix IX to this Scheme Document;
and
- (vii) the notice of the General Meeting as set out in Appendix X to this Scheme Document.

In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the General Meeting are enclosed with this Scheme Document.

The Optionholders are urged to read carefully the Option Offer Letter, which is sent separately to the Optionholders on the date of this Scheme Document substantially in the form set out in “Appendix XI – Form of Option Offer Letter” to this Scheme Document, and the Form of Acceptance in respect of the Option Offer Letter.

23. TRADING SUSPENSION AND RESUMPTION GUIDANCE

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on Monday, 27 September 2021 as a result of the Relevant Transactions being uncovered.

In September 2021, the Company was informed by Ernst & Young, the auditors of the Company, that certain pledges over bank deposits that two of the Company’s subsidiaries entered into may not have been accounted for and disclosed in the information contained in the Company’s announcement dated 31 August 2021 in respect of the Group’s interim results for the six months ended 30 June 2021.

As disclosed in the Inside Information Announcements, Jiangsu Tengxu and Taicang Natural Gas have pledged certain bank deposits that they maintained at five different banks in the PRC (the “**Banks**”) for an aggregate sum of RMB202.0 million and RMB113.1 million, respectively, under several deposit pledge contracts (the “**Deposit Pledge Contracts**”) to guarantee the indebtedness of several companies (the “**Borrowers**”) for the opening or entering into of bank acceptance agreements (《銀行承兌協議》), bank acceptance bill acceptance agreements (《銀行承兌匯票承兌協議書》), a domestic letter of credit contract (《國內信用證開證合同》) and working capital loan agreements (《流動資金借款合同》) between the respective Borrowers and the Banks to obtain facilities of an aggregate amount of RMB319.0 million.

In addition, an electronic commercial acceptance bill was entered into between Taicang Natural Gas and Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司) in the amount of RMB50 million. Taicang Natural Gas also entered into an agreement with a Bank to guarantee the bank acceptance agreements and the working capital loan agreements entered into between the Bank and the Borrower for a maximum amount of RMB137,500,000. For details, please refer to the Inside Information Announcements.

The Stock Exchange issued to the Company letters dated 17 January 2022 setting out the following resumption guidance for the Company and requested the Company to announce such guidance:

- (i) conduct an appropriate independent forensic investigation into the Relevant Transactions, announce the investigation findings and take appropriate remedial actions;
- (ii) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (iii) publish the revised unaudited interim results of the Group for the six months ended 30 June 2021 and interim report for the six months ended 30 June 2021;
- (iv) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and
- (v) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

For details of the resumption guidance and resumption progress, please refer to the Company's announcements dated 18 January 2022 and 25 March 2022.

On 13 April 2022, the Stock Exchange issued a letter to the Company setting out the following additional resumption guidance for the Company and requested the Company to announce such guidance:

- (i) publish all outstanding financial results and address any audit modification(s); and
- (ii) demonstrate compliance with Rule 13.24 of the Listing Rules.

For details, please refer to the Company's announcement dated 14 April 2022.

The Company has published the revised interim results announcement for the six months ended 30 June 2021 and the interim report for the six months ended 30 June 2021 on 28 January 2022 and 14 February 2022, respectively. The Group continues to have discussions with various parties on possible options and steps to fulfil the aforesaid resumption guidance and the additional resumption guidance. As at the Latest Practicable Date, the Company has not yet fulfilled the other resumption guidance as requested by the Stock Exchange.

Yours faithfully,

By Order of the Board

Suchuang Gas Corporation Limited

Su Yi

Chairman and Executive Director



蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED

蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1430)

4 May 2022

To the Disinterested Shareholders, Independent Shareholders and Optionholders

Dear Sir/Madam,

- (1) PROPOSAL FOR THE TAKE-PRIVATE OF SUCHUANG GAS CORPORATION LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT**
- (2) PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**
- (3) PROPOSED WITHDRAWAL OF LISTING**
- AND**
- (4) SPECIAL DEALS IN RELATION TO THE PROPOSED ASSETS DISPOSAL**

Reference is made to the joint announcement dated 25 August 2021 jointly issued by the Offeror and the Company in relation to the Proposal, the Special Deals and the scheme document dated 4 May 2022 jointly issued by the Offeror and the Company in relation to the Proposal and the Special Deals (the “**Scheme Document**”), the latter of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Takeovers Code IBC to make a recommendation: (a) to the Disinterested Shareholders and the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Special Deals are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and the General Meeting; and (b) to the Optionholders as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer. Details of the Proposal, the Scheme, the Option Offer and the Special Deals are set out in the letter from the Board and the Explanatory Memorandum set out in Part IV and Part VIII of the Scheme Document, respectively.

Essence Corporate Finance (Hong Kong) Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us on the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals. The details of its advice and the principal factors taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser in Part VII of the Scheme Document. The Independent Financial Adviser states that it considers the terms of the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals to be fair and reasonable insofar as the Independent Shareholders (where applicable), the Disinterested Shareholders (where applicable) and the Optionholders (where applicable) are concerned, and recommends, the Takeovers Code IBC (i) to advise (a) the Disinterested Shareholders to vote in favour of the relevant resolution to approve the Proposal and implement the Scheme at the Court Meeting and the General Meeting and (b) the Optionholders to accept the Option Offer and (ii) to advise the Independent Shareholders, and the Independent Financial Adviser itself recommends the Independent Shareholders, to vote in favor of the relevant resolution to approve the Special Deals at the General Meeting.

The Takeovers Code IBC, having considered the terms of the Proposal, the Scheme, the Option Offer and the Special Deals, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VII of the Scheme Document, considers that the terms of the Proposal, the Scheme and the Special Deals are fair and reasonable as far as the Disinterested Shareholders and the Independent Shareholders are concerned and that the terms of the Option Offer are fair and reasonable as far as the Optionholders are concerned.

Accordingly, the Takeovers Code IBC recommends:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme;
- (2) at the General Meeting:
 - (a) the Shareholders to vote in favour of:
 - (i) the special resolution to approve and give effect to the Scheme and the associated reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, immediately prior to the cancellation and extinguishment of the Scheme Shares taking effect, the allotment and issue to the Offeror of one new Share, the issue to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one, and the application of the credit

arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new ordinary shares issued to the Offeror and HoldCo pursuant to such special resolution; and

- (ii) the special resolution to approve the withdrawal of listing of the Shares; and
- (b) the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer);
- (3) the Disinterested Shareholders to select the Cash Alternative, and not to select the Share Alternative; and
- (4) the Optionholders to accept the Option Offer.

The Takeovers Code IBC draws the attention of the Disinterested Shareholders, the Independent Shareholders and the Optionholders to: (i) the letter from the Board as set out in Part IV of the Scheme Document; (ii) the letter from the Independent Financial Adviser, which sets out the principal factors taken into consideration in arriving at its advice to the Takeovers Code IBC, as set out in Part VII of the Scheme Document; and (iii) the Explanatory Memorandum as set out in Part VIII of the Scheme Document.

Yours faithfully,
Takeovers Code IBC

Mr. Zhou Qingzu
*Independent Non-Executive
Director*

Mr. Zhu Tong
*Independent Non-Executive
Director*

Mr. Feng Yijing
*Independent Non-Executive
Director*



蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED

蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1430)

4 May 2022

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION
SPECIAL DEALS IN RELATION TO THE PROPOSED ASSETS DISPOSAL

Reference is made to the joint announcement dated 25 August 2021 jointly issued by the Offeror and the Company in relation to, among other things, the Special Deal Agreement and the scheme document dated 4 May 2022 jointly issued by the Offeror and the Company in relation to, among other things, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (the “**Scheme Document**”), the latter of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Listing Rules IBC to advise the Independent Shareholders in relation to the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer). Details of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) are set out in the letter from the Board set out in Part IV of the Scheme Document.

Essence Corporate Finance (Hong Kong) Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us on the Special Deals. The details of its advice and the principal factors taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser in Part VII of the Scheme Document. The Independent Financial Adviser states that it considers the terms of the Special Deals to be fair and reasonable insofar as the Independent Shareholders are concerned and recommends, the Listing Rules IBC to advise the Independent Shareholders, and the

Independent Financial Adviser itself recommends the Independent Shareholders, to vote in favour of the relevant resolution to approve the Special Deals at the General Meeting.

The Listing Rules IBC, having considered the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer) and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer) are fair and reasonable as far as the Independent Shareholders are concerned and are in the interest of the Company and Shareholders as a whole.

Accordingly, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

The Listing Rules IBC draws the attention of the Independent Shareholders to: (i) the letter from the Board as set out in Part IV of the Scheme Document; and (ii) the letter from the Independent Financial Adviser, which sets out the principal factors taken into consideration in arriving at its advice to the Listing Rules IBC, as set out in Part VII of the Scheme Document.

Yours faithfully,
Listing Rules IBC

Mr. Zhou Qingzu
*Independent Non-Executive
Director*

Mr. Zhu Tong
*Independent Non-Executive
Director*

Mr. Feng Yijing
*Independent Non-Executive
Director*

The following is the letter of advice from the Independent Financial Adviser, Essence Corporate Finance (Hong Kong) Limited, to the Takeovers Code IBC, the Listing Rules IBC, the Disinterested Shareholders, the Independent Shareholders and the Optionholders, which has been prepared for the purpose of inclusion in this Scheme Document.



Essence Corporate Finance (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

4 May 2022

To: the Takeovers Code IBC, the Listing Rules IBC, the Disinterested Shareholders, the Independent Shareholders, and the Optionholders

Dear Sirs,

**(1) PROPOSAL FOR THE TAKE-PRIVATE OF
SUCHUANG GAS CORPORATION LIMITED
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT;
(2) PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS;
AND
(3) SPECIAL DEALS, CONNECTED TRANSACTIONS AND
MAJOR TRANSACTION IN RELATION TO
THE PROPOSED ASSETS DISPOSAL**

INTRODUCTION

We refer to our appointment to advise the Listing Rules IBC, the Takeovers Code IBC, the Disinterested Shareholders, the Independent Shareholders and the Optionholders in connection with the Proposal (inclusive of the Scheme and the Option Offer) and the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer) (the “**Transactions**”) which are also referred to as the Special Deals, details of which are set out in the Scheme Document dated 4 May 2022, of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

The Proposal

On 25 August 2021, the Offeror and the Company jointly announced that on 16 August 2021 the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the take-private of the Company by way of the Scheme (i) involving, among others, the cancellation of all the Scheme Shares and the increase of the issued share capital of the

Company to the amount prior to the cancellation of the Scheme Shares, where each Scheme Shareholder will be entitled to receive HK\$2.50 in cash (Cash Alternative) or one New Share in HoldCo (Share Alternative) for each Scheme Share; and (ii) the Option Offer involving the cancellation of every vested and unvested Outstanding Share Options based on the respective “see-through” prices. Upon the Scheme having become effective, the Company being taken private by the Offeror and the withdrawal of the listing of the Shares from the Stock Exchange, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative). Further details of the Proposal (inclusive of the Scheme and the Option Offer) are set out in the “*Letter from the Board*” contained in Part IV of the Scheme Document and the Explanatory Memorandum.

As at the Latest Practicable Date, the Company had 903,084,000 Shares in issue, and 50,250,000 Outstanding Share Options granted under the Share Option Scheme consisting of (i) 16,500,000 Share Options with an exercise price of HK\$2.00; (ii) 19,250,000 Share Options with an exercise price of HK\$2.28; and (iii) 14,500,000 Share Options with an exercise price of HK\$3.06.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties (excluding the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders) did not hold any Shares. The Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) in aggregate held 337,684,000 Shares, 90,812,000 Shares and 22,398,000 Shares, representing approximately 37.40%, 10.06% and 2.48% respectively of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the terms and conditions of the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), each of the members of the IU Shareholders has irrevocably undertaken to the Offeror to, amongst other things, (i) exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable), insofar as is permitted under the applicable laws and regulations; and (ii) for the Controlling Shareholders, elect the Cash Alternative only as the form of the Cancellation Consideration for the cancellation of Shares held or owned by them.

Pursuant to the terms and conditions of the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, each of the members of the Minority IU Shareholders (save and except for ZHANG Hong (張紅) whose 2,000 Shares out of 8,222,000 Shares held, are not subject to the relevant Minority IU Shareholders Irrevocable Undertaking, all Shares held by her and other members of the Minority IU Shareholders are subject to the relevant Minority IU Shareholders Irrevocable Undertakings) and the Entrustment Minority Shareholders has irrevocably undertaken to the Offeror to, amongst other things, (i) exercise (or procure the exercise of) all voting rights attached to the Shares (or an interest in the Shares) respectively held or owned by them at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and/or the withdrawal of listing and any matters in connection with the Proposal and/or the withdrawal of listing (where applicable), insofar as is permitted under the applicable laws and

regulations; and (ii) elect (or procure the election of) the Cash Alternative only as the form of the Cancellation Consideration for the cancellation of the Shares (or an interest in the Shares) respectively held or owned by the Minority IU Shareholder and the Entrustment Minority Shareholder.

Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement)

In connection with the Proposal, the Company, Suchuang Hong Kong, Suchuang Shanghai, Fung Yu, Total Honest and Taicang Natural Gas entered into the Special Deal Agreement on 25 August 2021 and the Supplemental Agreement to Special Deal Agreement on 14 March 2022, pursuant to which the parties agreed to purchase and sell certain subsidiaries of the Company and to settle certain intra-group loans.

Since the Hong Kong Transfer, the US Transfer and the Shanghai Transfer (excluding the Kunshan Transfer), are arrangements made between the Company and the Controlling Shareholders which are not extended to all Shareholders, the disposals of the members of the Disposal Group constitute special deals under Rule 25 of the Takeovers Code and require the consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating in its opinion the terms of the Special Deals are fair and reasonable, and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the General Meeting. The Offeror has applied to the Executive for the consent to the Special Deals under Rule 25 of the Takeovers Code.

As one or more of the applicable percentage ratios in respect of the aggregate value of the Transactions exceed 25% but less than 75%, the disposal of the Disposal Group constitutes a major transaction for the Company. In addition, since Fung Yu and Total Honest are substantial Shareholders, the Transactions also constitute connected transactions for the Company. Accordingly, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As referred to the "*Letter from the Board*" contained in Part IV of the Scheme Document, save for Fung Yu and Total Honest (each being substantial Shareholders and members of the Offeror Concert Parties), and Mr. LI Jianyi (an executive Director and involved in the negotiation of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement)), which/who have material interests and/or involved in the Transactions (being the Special Deals), no other Shareholders will abstain from voting on the resolution(s) to be proposed at the General Meeting for approving the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the Transactions (being the Special Deals) pursuant to the Takeovers Code and the Listing Rules.

Further details of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) are set out in the "*Letter from the Board*" in Part IV of the Scheme Document.

THE INDEPENDENT BOARD COMMITTEE

The Takeovers Code IBC, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals, namely Mr. ZHOU Qingzu, Mr. ZHU Tong and Mr. FENG Yijing, has been established by the Board in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise (i) the Disinterested Shareholders and the Optionholders in respect of the Proposal (inclusive of the Scheme and the Option Offer); and (ii) the Independent Shareholders in respect of the Special Deals.

Mr. JIN Bo is the vice president and secretary to the board of director of Shanghai Dazhong, being one of the IU Shareholders which has irrevocably undertaken to the Offeror, among other things, exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable).

Mr. XU Lei (i) is a director of Action East, being one of the IU Shareholders which has irrevocably undertaken to the Offeror, among other things, exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable); and (ii) is also a director and a shareholder of Prax Capital China Growth Fund III GP, Ltd., the sole general partner of Prax Capital, which wholly owns Action East. As at the Latest Practicable Date, Prax Capital China Growth Fund III GP, Ltd. owned 1% of the interest in Prax Capital.

As such, Mr. JIN Bo and Mr. XU Lei are not considered independent and excluded from the Takeovers Code IBC.

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. ZHOU Qingzu, Mr. ZHU Tong and Mr. FENG Yijing, has been formed to advise the Independent Shareholders on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the Transactions.

THE INDEPENDENT FINANCIAL ADVISER

We, Essence Corporate Finance (Hong Kong) Limited, have been appointed as the Independent Financial Adviser, to advise the Takeovers Code IBC, the Listing Rules IBC, the Disinterested Shareholders, the Optionholders and the Independent Shareholders in respect of the abovementioned matters. Furthermore, our appointment as the Independent Financial Adviser has been approved by the Takeovers Code IBC in accordance with Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

As at the Latest Practicable Date, we, Essence, are not associated with the Offeror, the Company, Fung Yu, Total Honest or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, Fung Yu, Total Honest, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Essence and the Company, the Offeror, Fung Yu, Total Honest, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices on the Proposal, the Scheme, the Option Offer and the Transactions (being the Special Deals).

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors and management of the Group (the “**Management**”) for which they are solely responsible, are true, accurate and complete at the time when they were provided and continue to be so as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and as at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations/our opinion up to the Effective Date.

We have reviewed, among other things, (i) the information contained in the Scheme Document; (ii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iii) the interim report of the Company dated 14 February 2022 for the six months ended 30 June 2021 (the “**2021 Interim Report**”); (iv) the unaudited management accounts of the Company for the fourteen months ended 28 February 2022; (v) the letter from CICC regarding the Estimate of Value (the “**Letter from CICC**”) as set out in Appendix VII to the Scheme Document; (vi) the Inside Information Announcements in relation to, among other things, certain unaccounted pledges over bank deposits and guarantee that three of the Company’s subsidiaries, namely the Company’s indirect wholly-owned subsidiary, Taicang Natural Gas and two of Taicang Natural Gas’ direct wholly-owned subsidiaries, namely Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司) (“**Suzhou Zhongyu**”) and Jiangsu Tengxu had entered into; (v) the Company’s announcements dated 18 January 2022, 21 January 2022 and 14 April 2022 in relation to the guidance received from the Stock Exchange regarding the resumption of trading of the Shares

on the Stock Exchange (the “**Resumption Guidance Announcement(s)**”); and (vi) the Company’s announcement dated 22 March 2022 in relation to the delay in publication of its annual results for the year ended 31 December 2021.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our opinion and give the advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material fact has been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group (including the Disposal Group), the Offeror, Fung Yu, Total Honest, or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Scheme Shareholders and the Optionholders arising from acceptance or non-acceptance of the Proposal (inclusive of the Scheme and the Option Offer), if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders and the Optionholders as a result of the Proposal. In particular, the Scheme Shareholders and the Optionholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters. Please refer to the section headed “*19. Taxation*” in the Explanatory Memorandum for further details of the taxation implications.

A. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

In formulating our opinions and recommendations with regard to the Proposal (inclusive of the Scheme and the Option Offer), we have taken into account the following principal factors and reasons:

1. Information and prospects of the Group*(i) Background and principal business*

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange since 11 March 2015. The Group's main operating area is Taicang City, Jiangsu Province, the PRC and is principally engaged in the distribution and sale of piped natural gas, operating compressed natural gas and liquefied natural gas refueling station business, provision of natural gas transmission, and acting as the main contractor of construction and connection of gas pipelines in the PRC.

(ii) Financial information

As referred to the Company's announcement dated 22 March 2022 and the section headed "1. Financial summary" set out in Appendix I to the Scheme Document, the publication of its annual results for the year ended 31 December 2021 will be delayed as Ernst & Young, the auditors of the Company, need more time to complete the audit of the consolidated financial statements of the Group for the year ended 31 December 2021 due to the Relevant Transactions, the Resumption Guidance and also the effect caused by novel coronavirus (COVID-19) (the "**COVID-19 pandemic**").

(a) *Financial performance*

The table below sets out the summarised consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2020 and the six months ended 30 June 2020 and 30 June 2021, as extracted from the 2019 Annual Report, the 2020 Annual Report, the interim report of the Company for the six months ended 30 June 2020 and the 2021 Interim Report:

	For the six months ended 30 June		For the year ended 31 December		
	2021 <i>(Unaudited)</i> <i>RMB'000</i> <i>(Revised)</i> <i>(Note)</i>	2020 <i>(Unaudited)</i> <i>RMB'000</i>	2020 <i>(Audited)</i> <i>RMB'000</i>	2019 <i>(Audited)</i> <i>RMB'000</i>	2018 <i>(Audited)</i> <i>RMB'000</i>
Revenue	643,959	549,024	1,181,120	1,329,875	1,102,805
Gross profit	90,960	108,670	209,680	248,516	214,766
Share of profits/(loss) of associates	(1,099)	(1,862)	(1,379)	580	7,099
Profit/(loss) of the period/year	(489,218)	25,901	54,264	76,035	103,503
Profit/(loss) attributable to owners of the parent	(490,039)	25,538	54,421	70,150	98,621
Earnings/(loss) per Share <i>(RMB)</i>	(0.5426)	0.0283	0.06	0.08	0.11
Dividend per Share <i>(RMB)</i>	N/A	N/A	0.022	0.028	0.028

Note: On 28 January 2022, the Company announced that following the review by the Company's audit committee and independent investing committee, the Board had revised the unaudited interim results of the Group for the six months ended 30 June 2021, which was initially announced on 31 August 2021. Major differences were related to certain unaccounted pledges over bank deposits and guarantee that three of the Company's subsidiaries, namely, Taicang Natural Gas, Jiangxu Tengxu and Suzhou Zhongyu, had entered into.

Revenue

Revenue of the Group was primarily derived from one reportable operating segment which was natural gas operation, and its natural gas sale and transmission was the Group's principal revenue driver. The revenue of the Group increased by approximately 20.6% from approximately RMB1,102.8 million for the year ended 31 December 2018 ("FY18") to approximately RMB1,329.9 million for the year ended 31 December 2019 ("FY19"), mainly due to the increase in more natural gas pipeline construction completed and increase in volume of natural gas sold for FY19.

As for the year ended 31 December 2020 (“FY20”), revenue of the Group decreased by approximately 11.2% to approximately RMB1,181.1 million from FY19, primarily due to the outbreak of the COVID-19 pandemic, and the decrease in the sales volume and selling prices of natural gas sold during FY20, resulting in the decline in the revenue generated from the sale and transmission of natural gas business.

Revenue of the Group increased by approximately 17.3% from approximately RMB549.0 million for the six months ended 30 June 2020 to approximately RMB644.0 million for the six months ended 30 June 2021, which was attributable to the increase in sale of natural gas and sale of industrial gas.

The table below sets out the Group’s geographical distribution of the revenue generated for FY18, FY19, FY20 and the six months ended 30 June 2020 and 30 June 2021:

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(Unaudited) RMB’000	(Unaudited) RMB’000	(Audited) RMB’000	(Audited) RMB’000	(Audited) RMB’000
PRC	643,801	548,817	1,180,977	1,327,880	1,101,957
Overseas	158	207	143	1,995	848
	<u>643,959</u>	<u>549,024</u>	<u>1,181,120</u>	<u>1,329,875</u>	<u>1,102,805</u>

Gross profit and gross profit margin

The table below sets out the Group’s gross profit and gross profit margin for FY18, FY19, FY20, and the six months ended 30 June 2020 and 30 June 2021:

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	Gross profit (RMB’000)	90,960	108,670	209,680	248,516
Gross profit margin (%)	14.13	19.79	17.75	18.69	19.47

The overall gross profit margin demonstrated a declining trend from approximately 19.47% for FY18 to approximately 18.69% for FY19, then it dropped to approximately 17.75% for FY20 and further deteriorated to approximately 14.13% for the six months ended 30 June 2021. The overall shrink in gross profit margin was mainly attributable to the rise in average unit purchase price of natural gas throughout the years, resulting in the decline in the margin of sales and transmission of natural gas business.

Share of profits/(loss) of associates

The share of profits of associates had dropped from approximately RMB7.1 million for FY18 to approximately RMB0.6 million for FY19, then plummeted to a loss of approximately RMB1.4 million for FY20, demonstrating a substantial decrease by 337.8% from FY19. The overall significant decreasing trend was mainly attributable to the loss derived from one of the Group's associated companies that engaged in natural gas heating business throughout the years.

Profit/(loss) attributable to owners of the parent

Profit attributable to owners of the parent decreased by approximately 28.9% from approximately RMB98.6 million for FY18 to approximately RMB70.2 million for FY19, and then further decreased by approximately 22.4% to approximately RMB54.4 million for FY20. The overall decreasing trend was mainly attributable to the drop in revenue generated from the sale and transmission of natural gas business as discussed above and a drop from making profit of RMB580,000 in the associated companies for FY19 to a loss of approximately RMB1.4 million for FY20.

Profit attributable to owners of the parent decreased by approximately 20.2 times from approximately RMB25.5 million for the six months ended 30 June 2020 to loss attributable to owners of the parent of approximately RMB490.0 million for the six months ended 30 June 2021, which was attributable to (i) the increase in impairment losses on financial and contract assets during the period; and (ii) increase in other expenses.

Dividend

The Company declared and paid cash dividend per Share of RMB0.028, RMB0.028 and RMB0.022 for each of FY18, FY19 and FY20 respectively, representing pay-out ratio (calculated based on the dividends declared for the year divided by the earnings per Share for the year) of approximately 25.5%, 35.0% and 36.7%, respectively. The total distribution was approximately RMB25.3 million, RMB25.3 million and RMB19.9 million for each of FY18, FY19 and FY20, respectively. The decrease in the dividend distribution for FY20 was primary attributable from the decrease in the net profit for FY20.

(b) Financial position

The table below sets out the summarised consolidated statements of financial position of the Group as at 31 December 2019, 31 December 2020 and 30 June 2021, as extracted from the 2020 Annual Report and the 2021 Interim Report:

	As at	As at 31 December	
	30 June	2020	2019
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Revised)</i>		
	<i>(Note)</i>		
Non-current assets	1,237,935	1,293,014	1,315,713
Current assets	819,172	1,007,474	955,478
Total assets	2,057,107	2,300,488	2,271,191
Current liabilities	831,114	541,262	513,822
Non-current liabilities	178,645	203,995	239,315
Total liabilities	1,009,759	745,257	753,137
Net assets	1,047,348	1,555,231	1,518,054
Net assets attributable to Shareholders	956,627	1,465,881	1,430,293
Net asset value (“NAV”) attributable to Shareholders per Share (<i>RMB</i>)	1.06	1.62	1.58

Note: On 28 January 2022, the Company announced that the Board had revised the unaudited interim results of the Group for the six months ended 30 June 2021, which was initially announced on 31 August 2021, following the review by the Company’s audit committee and independent investing committee. Major differences were related to certain unaccounted pledges over bank deposits and guarantee that three of the Company’s subsidiaries, namely, Taicang Natural Gas, Jiangsu Tengxu and Suzhou Zhongyu, had entered into.

Total assets

The total assets of the Group increased by approximately 1.3% from approximately RMB2,271.2 million as at 31 December 2019 to approximately RMB2,300.5 million as at 31 December 2020, which was mainly due to the increase in prepayments, other receivables and other assets.

As at 30 June 2021, the Group recorded approximately RMB658.3 million of property, plant and equipment, approximately RMB339.6 million of restricted cash and approximately RMB220.3 million of cash and cash equivalents, representing approximately 32.0%, 16.5% and 10.7% of the total assets, respectively.

The total assets of the Group decreased by approximately 10.6% from approximately RMB2,300.5 million as at 31 December 2020 to approximately RMB2,057.1 million as at 30 June 2021, which was mainly attributable to the decrease in (i) equity investments at fair value through profit or loss; (ii) trade and notes receivables; (iii) goodwill; and (iv) prepayments, other receivables and other assets.

Total liabilities

The total liabilities of the Group decreased by approximately 1.0% from approximately RMB753.1 million as at 31 December 2019 to approximately RMB745.3 million as at 31 December 2020, which was mainly attributable to the decrease in interest-bearing bank and other borrowings, and contract liabilities.

As at 30 June 2021, the Group had recorded interest-bearing bank and other borrowings of approximately RMB209.0 million, and contract liabilities of approximately RMB257.6 million, representing approximately 20.7% and 25.5% of the total liabilities respectively.

The total liabilities of the Group increased by approximately 35.5% from approximately RMB745.3 million as at 31 December 2020 to approximately RMB1,009.8 million as at 30 June 2021, which was mainly attributable to the increase in (i) other payables and accruals; and (ii) contract liabilities.

As referred to the Inside Information Announcements, Taicang Natural Gas, Jiangxu Tengxu and Suzhou Zhongyu had pledged certain bank deposits that they maintained at different banks in the PRC in an aggregate amount of RMB315.1 million under several deposit pledge contracts to guarantee the indebtedness of several companies (the “**Borrower(s)**”), which had been disclosed in the Inside Information Announcements as independent third parties of the Company and its connected persons, for obtaining banking facilities in an aggregate amount of RMB319.0 million.

Apart from the pledges mentioned above, Taicang Natural Gas also entered into an electronic commercial acceptance bill with Shanghai Pudong Gas Development Co., Ltd.* (上海浦東燃氣發展有限公司) in the amount of RMB50 million and as referred to the 2021 Interim Report, such bill was later booked as interest-bearing bank and other borrowings as at 30 June 2021, and recorded as impairment losses on financial and contract assets in the profit or loss for the six months ended 30 June 2021.

As referred to the Inside Information Announcement dated 28 April 2022, (i) approximately RMB314 million had been forfeited by the banks under the Relevant Transactions; (ii) approximately RMB1.05 million had been released back to Taicang Natural Gas; and (iii) all deposit pledge contracts had expired and nil was pledged thereunder (in each case, inclusive of interest earned on the deposits).

Net assets attributable to Shareholders

The Group's net assets attributable to Shareholders increased by approximately 2.5% from approximately RMB1,430.3 million as at 31 December 2019 to approximately RMB1,465.9 million as at 31 December 2020, which was mainly attributable to the increase in total assets and decrease in current liabilities as mentioned above.

The Group's net assets attributable to Shareholders dropped by approximately 34.7% from approximately RMB1,465.9 million as at 31 December 2020 to approximately RMB956.7 million as at 30 June 2021, which was attributable to the decrease in total assets and increase in total liabilities as mentioned above.

(iii) Suspension of trading of the Shares

Trading in the Shares on the Stock Exchange has been suspended since 27 September 2021 and remain suspended as at the Latest Practicable Date (the “**Trading Suspension**”).

As referred to the Resumption Guidance Announcements dated 18 January 2022 and 14 April 2022, the Company received a letter from the Stock Exchange on 17 January 2022 in relation to the resumption guidance and another letter on 13 April 2022 in relation to additional resumption guidance (the “**Resumption Guidance**”). We have enquired into the Management relating to the progress on the fulfillment of the Resumption Guidance set out by the Stock Exchange, and we have been informed that and with reference made to the “*Letter from the Board*” set out in Part IV of the Scheme Document, as at the Latest Practicable Date, save and except for publication of the revised interim results announcement for the six months ended 30 June 2021 and the 2021 Interim Report, all other requests by the Stock Exchange on the Resumption Guidance have not been fulfilled or satisfied. In particular, we have been informed that, as at the Latest Practicable Date, the Company is still in the progress of identifying candidates to conduct independent forensic investigation into the Relevant Transactions and the independent internal control review.

In accordance with Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the Company's listing if trading in the Shares has remained suspended for a continuous period of 18 months. In the case of the Company, the 18 month period expires on 26 March 2023. If the Company fails to resume trading in the Shares by 26 March 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

As at the Latest Practicable Date, trading in the Shares has been suspended for more than seven months and also more than three months since the Company has received the first letter from the Stock Exchange in connection with the Resumption Guidance. As the Resumption Guidance is yet to be fulfilled, trading in the Shares on the Stock Exchange will continue to be suspended until fulfilment of the Resumption Guidance and comply with the Listing Rules to the Stock Exchange's satisfaction. Disinterested Shareholders shall only be able to dispose of the Shares in the open market after trading in the Shares is allowed to resume by the Stock Exchange (the "**Trading Resumption**"). In the event the Scheme does not become effective and the Company is unable to fulfil the Resumption Guidance and remedy the issues causing the suspension of the trading of the Shares for continuous of 18 months, it is uncertain whether trading in the Shares can be resumed before 26 March 2023 which is the deadline applicable to the Company under Rule 6.01A(1) of the Listing Rules.

(iv) Prospects of the Group

As mentioned in the 2021 Interim Report, although the COVID-19 pandemic continued to surge around the world, the PRC economy began its recovery and sustained steady growth with continuous increase in energy demand. In addition, the PRC government will continue to promote energy structure optimisation and adjustment and focus on the replacement of fire coal with clean energy, in which natural gas will play an essential role.

The Group plays a dominant role in piped natural gas business in Taicang City, Jiangsu Province, the PRC, with the exclusive right to sell and transmit piped natural gas to users in its operating area, representing over 70% of the total area of Taicang City. Notwithstanding the dominant position in Taicang City, the Group expanded its piped natural gas business out of Taicang City and established long term strategic cooperation relationship with PetroChina as the principal natural gas supplier. The Group had entered into 47 new industrial and commercial project contracts, as well as signed about 12 commercial and school users. As advised by the Company, as the new projects had begun and the supply of gas has commenced, the revenue of the Group has improved in the second half of 2021.

The 2020 Annual Report highlighted that the Group had successfully obtained the qualification for using the oil and gas pipeline of China Oil & Gas Pipeline Network Corporation and was permitted the direct use of pipeline transportation service to connect with upstream companies, thus ensuring the gas supply. If the aforementioned business is executed as planned, it is expected to solve the natural gas supply bottleneck and improve the annual import up to 2.2 billion cubic meters.

As referred to the 2021 Interim Report, in first half of 2021, officials in Jiangsu Province formulated and implemented certain policies that could enrich the gas sources in the area where the Group is located and provided further guarantee for the gas supply within the Group's business scope.

We have discussed with the Management on the impact of the COVID-19 pandemic in the PRC on the natural gas industry, as well as the business of the Group. The Management advised that though the COVID-19 pandemic was affecting business globally, the Chinese economy showed signs of steady recovery and coupled with the low-carbon transformation and limitation on the growth consumption, the Management was optimistic on the Group's business as gas consumption remained to be steady and the policies implemented by the government in Jiangsu Province would provide support for the development of the Group. Furthermore, the Management is of the view that the natural gas industry will continue to thrive under the promotion of natural gas as an alternative energy source by the PRC government and as one of the major clean energy source in the PRC, which offers the Group great opportunities to expand and diversify its business.

Natural gas constitutes the major raw material for the Group's business, any disputes between the Group and its principal natural gas suppliers, PetroChina and Sinopec, may affect disruption or shortage and distribution of natural gas to the Group's customers, which will adversely affect the Group's operating result. According to the Management, the Group has a take-or-pay obligation for the difference between the actual purchase volume and the specified volume of natural gas in relation to the Group's existing natural gas supply arrangements with PetroChina and Sinopec. In the event the Group's customers on existing contracts suspend or purchases lower amounts of natural gas and the Group is unable to secure alternative customers to make up the shortfall, the Group's business and its profit margin may also be adversely affected.

As advised by the Company, the benchmark purchase price and selling price of natural gas are determined by the PRC government and subject to regulatory control, therefore the profit margin of the sale of natural gas business and the Group's profitability is affected by the government policies and there is no assurance that the Group can adapt to the new policies implemented by the PRC government in a timely manner.

In respect to compliance with the applicable rules and regulations, the Relevant Transactions being unaccounted disclosure of the Group's material information, indicated that the Group's internal control had material deficiency and the members of the Group, as a whole, did not have proper internal control measures in place or properly implemented.

As mentioned above, as at the Latest Practicable Date, the Company is still in the process of considering candidates to conduct independent forensic investigation into the Relevant Transactions and the independent internal control review. We have enquired into and been advised by the Management that in order to prevent future re-occurrence of the Relevant Transactions, the Group will enhance its internal control measures.

Comments

Taking into consideration the importance of the engagement of independent third parties to conduct independent forensic investigation into the Relevant Transactions and the independent internal control review, we consider that there is significant uncertainty on the effectiveness of possible internal control measures which are yet to be advised by the independent consultants as such candidates are still yet to be identified or engaged. Furthermore, we are of the view that, lacking the engagement of independent internal control consultants to perform independent internal control and forensic reviews on the Group, there is no assurance that the current internal control measures will be adequate and effective to prevent future re-occurrence of the Relevant Transactions or any other similar transactions.

Having considered the above, though the Management is optimistic on the overall Group's business, we are of the view that the growth and scale in the Group's business will continue to face challenges and uncertainties from (i) the impact of the COVID-19 pandemic; (ii) the overall market conditions; (iii) changes in policies or regulatory requirements implemented from time to time that may directly or indirectly affect the business environment of the natural gas business; (iv) maintaining continuous relationship with its natural gas suppliers; (v) expansion into other cities, i.e. out of its main operating area, Taicang City; (vi) the existing material deficiency on the Group's internal control; and (vii) uncertainty on the timeline on implementation and effectiveness of internal control measures in the absence of independent consultants.

2. Background information of the Offeror*(i) The Offeror*

As set out in the "*Letter from the Board*" contained in Part IV of the Scheme Document and the Explanatory Memorandum, the Offeror is indirectly wholly owned by CR Gas, whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1193). The Offeror is the intermediate holding company of various PRC subsidiaries of CR Gas. CR Gas is principally engaged in downstream city gas distribution business including piped natural gas distribution, natural gas filling stations operation and sales of gas appliances in the PRC.

As disclosed in the Explanatory Memorandum, the Offeror did not hold any Shares and the Offeror Concert Parties held 450,894,000 Shares, representing approximately 49.93% of the issued share capital of the Company as at the Latest Practicable Date. The aforementioned 450,894,000 Shares were beneficially held by Fung Yu (as to 214,546,000 Shares, representing approximately 23.76% of the issued share capital of the Company) and Total Honest (as to 123,138,000 Shares, representing approximately 13.64% of the issued share capital of the Company), being the Controlling Shareholders, the Minority

IU Shareholders (as to 90,812,000 Shares, representing approximately 10.06% of the issued share capital of the Company) and the Entrustment Minority Shareholders (through Hwabao) (as to 22,398,000 Shares, representing approximately 2.48% of the issued share capital of the Company).

With reference to CR Gas's annual report for the year ended 31 December 2021, CR Gas, being one of the largest state-owned conglomerates in the PRC, is a leading gas utilities group in the PRC. It continued to expand rapidly via organic and acquisition growths intending to seized opportunities arising from the PRC's natural gas market. During 2021, CR Gas' annual natural gas sales volume reached 34.082 billion cubic meters, representing a year-on-year increase of approximately 17.4%. The profit attributable to the owners of CR Gas's parent in 2021 was HK\$6.395 billion, representing an increase of approximately 24.15%.

(ii) Offeror's intention

As set out in the "*Letter from the Board*" contained in Part IV of the Scheme Document and the Explanatory Memorandum, upon completion of the Proposal, it is the intention of the Offeror that the Group will continue to carry on its current business and expansion goal in natural gas business within Yangtze River Delta Region. The Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group) upon the successful delisting of the Company, and the Offeror will leverage its own industry expertise to facilitate the Group's development plan in conjunction with the Offeror's development plan. The Offeror does not intend to re-list the Company in the PRC or any other overseas stock exchanges.

3. Reasons for and benefits of the Proposal

For details of the reasons for and benefits of the Proposal, please refer to the "*Letter from the Board*" contained in Part IV of the Scheme Document and the Explanatory Memorandum.

In summary, the Offeror considers that the Proposal provides an opportunity for the Scheme Shareholders to realise their holdings of the Shares with limited liquidity in return for cash at a compelling premium over the prevailing market price of the Shares.

According to the Explanatory Memorandum, the Offeror noted that the trading liquidity of the Shares had been at relatively low level over an extended period of time and the low trading liquidity of the Shares could make it difficult for the Scheme Shareholders to execute on-market trades of the Shares without adversely affecting the market price of the Shares or at a notable discount to last trading price.

The Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative represents a premium of approximately 23.76% on the average closing prices of HK\$2.02 for the 180 trading days up to and including the Last Trading Day. Further details of our analysis on the Share price and trading volumes of the Shares are set out in the paragraph below headed “(ii) Analysis of the market price of the Shares” under the section “4. Cash Alternative” of this letter.

In addition to the Cash Alternative, the Offeror considers that the Proposal provides the Scheme Shareholders, through the election of the Share Alternative, with an opportunity to remain invested and participated in the Company’s natural gas business in Taicang, the PRC, subject to the risk factors of holding the HoldCo Shares in the subparagraph entitled “*The Share Alternative – The Company (following the Effective Day)*” under the section headed “2. Terms of the Proposal” in the Explanatory Memorandum.

Furthermore, the Offeror considers that due to the low liquidity and the relative underperformance in the trading of the Shares, there will be difficulties with the Company’s abilities to raise funds from public equity markets and it is unlikely to see any significant improvement in the near term. As such, the Offeror believes that the administrative costs and management resources associated with maintaining the Company’s listing status are no longer justified. The Proposal will reduce such administrative costs and management resources invested by the Company to maintain a listing platform.

Comments

As stated in the paragraph headed “(iii) Suspension of trading of the Shares” under the section headed “1. Information and prospects of the Group” above, other than publication of the revised interim results announcement for the six months ended 30 June 2021 and the 2021 Interim Report, the Company has not fulfilled or satisfied any other requests by the Stock Exchange on the Resumption Guidance as at the Latest Practicable Date. If the Company fails to resume trading in the Shares by 26 March 2023, the Listing Division of the Stock Exchange may recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. This is also subject to the Stock Exchange’s right to impose a shorter specific period under Rules 6.01 and 6.10 of the Listing Rules, where appropriate. It has been more than three months since the Company has received the Resumption Guidance and the Company is still unable to identify potential candidates to conduct independent forensic investigation into the Relevant Transactions and the independent internal control review.

Taking into consideration that the Trading Suspension has taken place since 27 September 2021 and the exact time for the Trading Resumption is unknown and subject to, among other things, fulfilment of the Resumption Guidance to the satisfaction of the Stock Exchange and indicating high uncertainty of whether trading in the Shares can be resumed, we are of the view that the Disinterested Shareholders will find it extremely hard to dispose of the Shares in possible lack of a public trading platform for the Shares. Apart from the reasons for and benefits of the Proposal as mentioned above, we consider that the Proposal provides an opportunity and a possible way for the Scheme Shareholders to realise their investments in the Company through opting for the Cash Alternative or continue investment through option for the Share Alternative.

4. Cash Alternative

Under the Proposal, the Scheme Shareholders can undertake to elect the Cash Alternative, where the Cancellation Price of HK\$2.50 will be offered for every Scheme Share. As set out in the “*Letter from the Board*” contained in Part IV of the Scheme Document and the Explanatory Memorandum, the Cancellation Price had been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other take-private transactions in Hong Kong in recent years.

(i) Comparison on the Cash Alternative

The Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 3.31% over the closing price of HK\$2.42 per Share as quoted on the Stock Exchange on 24 September 2021, being the last trading day prior to the Trading Suspension (the “**Last Non-compliance Trading Day**”);
- a premium of approximately 2.88% over the closing price of HK\$2.43 per Share as quoted on the Stock Exchange on 13 August 2021, being the Last Trading Day;
- a premium of approximately 23.15% over the average closing price of approximately HK\$2.03 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 25.63% over the average closing price of approximately HK\$1.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

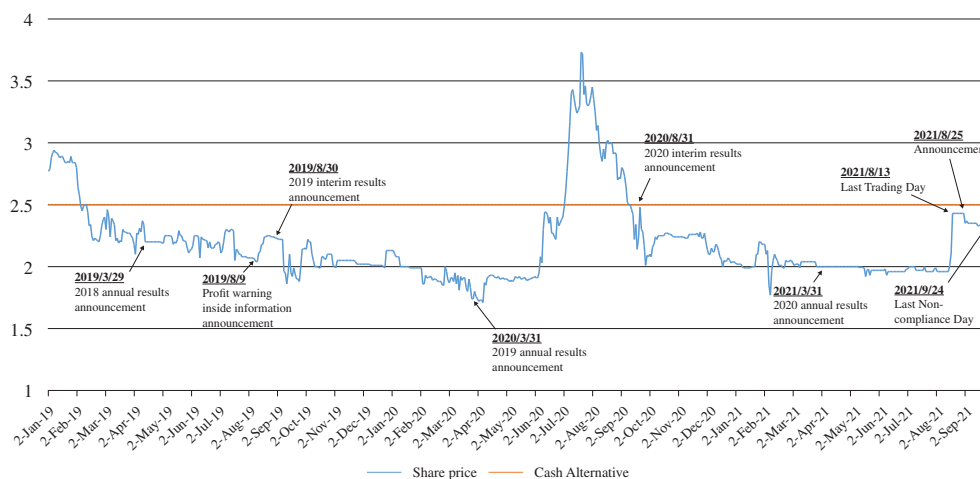
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 23.76% over the average closing price of approximately HK\$2.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 30.21% over the audited consolidated NAV attributable to Shareholders per Share of approximately HK\$1.92 as at 31 December 2020 (based on the total number of issued Shares of 903,084,000 as at 31 December 2020, the Group's audited consolidated NAV attributable to Shareholders of RMB1,465,881,000 as at 31 December 2020 as disclosed in the 2020 Annual Report, and the exchange rate of RMB0.84164 to HK\$1.00 as quoted by the People's Bank of China on 31 December 2020); and
- a premium of approximately 96.85% over the unaudited consolidated NAV attributable to Shareholders per Share of approximately HK\$1.27 as at 30 June 2021 (based on the total number of issued Shares of 903,084,000 as at 30 June 2021, the Group's unaudited consolidated NAV attributable to Shareholders of RMB956,627,000 as at 30 June 2021 as disclosed in the 2021 Interim Report, and the exchange rate of RMB0.83208 to HK\$1.00 as quoted by the People's Bank of China on 30 June 2021).

Due to the Trading Suspension, the comparison of the Cancellation Price against the closing price per Share as quoted on the Stock Exchange as at the Latest Practicable Date is not available.

*(ii) Analysis of the market price of the Shares**(a) Historical Share price performance compared to the Cancellation Price*

Set out below are graphs showing (i) the daily Share price performance against the Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative during the period from 1 January 2019 to the Last Non-compliance Trading Day (the “**Review Period**”), which in our view, is a reasonable period of time within which the prevailing market price of the Shares would be useful for the Disinterested Shareholders in considering the Proposal as the Review Period covers two full reported financial years and includes the period prior to the Trading Suspension on 27 September 2021; and (ii) the daily Share price performance and the Hang Seng Index during the Review Period:

GRAPH 1: SHARE PRICE PERFORMANCE AND THE CANCELLATION PRICE



GRAPH 2: SHARE PRICE PERFORMANCE AND HANG SENG INDEX

Source: Bloomberg and the Stock Exchange's website

Graph 1 above illustrates that the closing price of the Shares had traded lower than the Cancellation Price of HK\$2.50 per Scheme Share during 2021 and the closing price of the Shares were, in general, mostly below the Cancellation Price during the Review Period.

During the Review Period, the closing price of the Shares had been fluctuating between HK\$1.71 to HK\$3.73 per Share and the average closing price was approximately HK\$2.19 per Share, where the Cancellation Price was within the spectrum of the closing prices and relatively higher than the average closing price of the Shares during the Review Period. In addition, out of the total 667 trading days during the Review Period, the Shares were traded equal to or lower than the Cancellation Price in 599 trading days, which was approximately 89.81% of the total trading days.

As shown on Graph 2 above, the closing price of the Shares was, in general, on a downward trend at the beginning of the Review Period and underperformed the Hang Seng Index and the closing price of the Shares had slumped to its lowest at HK\$1.71 on 3 April 2020. Following the publication of the annual results announcement for FY19, the closing price of the Shares exhibited a general upward trend and outperformed the Hang Seng Index before reaching its historical high of HK\$3.73 per Share on 20 July 2020. However, the closing price of the Shares retreated gradually and fell below the Cancellation Price in September 2020 and hovered below the Cancellation Price since then and up to the Last Non-compliance Trading Day.

The closing price of the Shares spiked up during the period between 2 July 2020 to 4 September 2020, ranging from HK\$2.49 to HK\$3.73 per Share and peaked to HK\$3.73 per Share on 20 July 2020, which marked the highest closing price during the Review Period. During the said period, the Company had made (i) an voluntary announcement dated 15 July 2020 on strategic cooperation framework agreement with Taicang Port Group Co., Ltd. (太倉港港務集團有限公司); and (ii) voluntary announcement dated 30 July 2020 in relation to the entering into a cooperation framework agreement with CNOOC Gas and Power Group Co., Limited* (中海石油氣電集團有限責任公司). Save and except for the aforementioned announcements published by the Company, the Management advised that they were not aware of any affairs of the Group, which could possibly result in the relatively high Shares price in such period. Nevertheless, the relatively high closing price of the Shares did not hold and consequently lowered to below HK\$2.50 per Share after 8 September 2020.

The historical dividend pay-outs and their respective record dates for determining the entitlement to the final dividend during the Review Period are presented below:

	FY20	FY19	FY18
Dividend declared (RMB per Share)	0.022	0.028	0.028
Date of announcement of the final results and declaration of dividends (the “ Results Date ”)	31 March 2021	31 March 2020	29 March 2019
Record date for determining the entitlement to the dividend (the “ Record Date ”)	10 June 2021	4 June 2020	3 June 2019

Closing price of the Shares during the period between the Results Date and the Record Date

Highest closing Share price	HK\$2.00	HK\$1.95	HK\$2.37
Lowest closing Share price	HK\$1.92	HK\$1.71	HK\$2.10

As illustrated in the above table, the closing price of the Shares during the period between the respective Results Date and the Record Date ranged between HK\$1.71 to HK\$2.37 per Share which was below the Cancellation Price of HK\$2.50 per Scheme Share.

Trading in the Shares was halted at 9:00 a.m. on 16 August 2021 pending the release of the Announcement. Prior to the trading halt of the Shares, the closing price of the Shares edged up from HK\$1.96 (maintained at HK\$1.96 for nine trading days from 29 July 2021 to 10 August 2021) to HK\$2.43 per Share on 13 August 2021 (being the Last Trading Day), representing an increase of approximately 23.98%. After the publication of the Announcement, the closing price of the Shares dropped to HK\$2.35 per Share on 26 August 2021 (the next trading day following the publication of the Announcement) and ranged between HK\$2.33 to HK\$2.43 per Share up to the Last Non-compliance Trading Day. The Shares closed at HK\$2.42 per Share on the Last Non-compliance Trading Day.

As at the Latest Practicable Date, trading in the Shares is still suspended.

During the Review Period, we observed that the Cancellation Price was generally higher than the averages of the closing prices of the Shares for the last 10 trading days, 30 trading days, 60 trading days, 90 trading days and 180 trading days up to and including the Last Trading Day, where the premia ranged from approximately 2.88% to 26.26%. Subsequent to the Last Trading Day and after the publication of the Announcement on 24 August 2021, the closing price of the Shares maintained between HK\$2.34 and HK\$2.43 per Share and up to the Last Non-compliance Trading Day. Furthermore, the Cancellation Price represented a premium of approximately 30.21% and 96.85% over the NAV attributable to Shareholders per Share as at 31 December 2020 and 30 June 2021 respectively.

In summary, apart from the period between 3 July 2020 and 7 September 2020, the closing price of the Shares traded below the Cancellation Price during most of the Review Period with an average closing price of HK\$2.19 per Share. Although the closing price of the Shares reacted positively and edged up to between HK\$2.34 and HK\$2.43 after the publication of the Announcement, the price of the Shares closed below the Cancellation Price of HK\$2.50 per Scheme Share for the period from the date of the Announcement and up to the Last Non-compliance Trading Day. The Shares closed at HK\$2.42 on the Last Non-compliance Trading Day and the Cancellation Price represented a premium of approximately 3.31% over the closing price of the Shares on the Last Non-compliance Trading Day.

From the perspective of historical price performance of the Shares, we are of the view that the Cancellation Price of HK\$2.50 per Scheme Share is fair and reasonable and presents an opportunity for the Disinterested Shareholders to realise their investments.

(b) Trading volume

The table below sets out the average daily trading volumes of the Shares, the percentage of the average daily trading volume to the total issued Shares and the percentage of the average daily trading volume to the Shares held by the public (the “Public Float Shares”) during the Review Period:

	Average daily trading volume of the Shares <i>(Note 1)</i>	Approximately % of the average daily trading volume of the Shares to the total issued Shares <i>(Note 2)</i>	Approximately % of the average daily trading volume of the Shares to the Shares held in public <i>(Notes 3 & 5)</i>
2019			
January	252,545	0.03%	0.11%
February	687,412	0.08%	0.30%
March	78,000	0.01%	0.03%
April	20,000	0.00%	0.01%
May	33,238	0.00%	0.01%
June	11,368	0.00%	0.00%
July	88,273	0.01%	0.04%
August	35,365	0.00%	0.02%
September	260,000	0.03%	0.11%
October	2,158,952	0.24%	0.95%
November	3,333	0.00%	0.00%
December	100	0.00%	0.00%
2020			
January	2,800	0.00%	0.00%
February	46,700	0.01%	0.02%
March	162,636	0.02%	0.07%
April	122,789	0.01%	0.05%
May	163,150	0.02%	0.07%
June	149,238	0.02%	0.07%
July	1,028,091	0.11%	0.45%
August	859,333	0.10%	0.38%
September	610,000	0.07%	0.27%
October	65,000	0.01%	0.03%
November	65,048	0.01%	0.03%
December	70,818	0.01%	0.03%
2021			
January	36,500	0.00%	0.02%
February	76,223	0.01%	0.03%

	Average daily trading volume of the Shares (Note 1)	Approximately% of the average daily trading volume of the Shares to the total issued Shares (Note 2)	Approximately% of the average daily trading volume of the Shares to the Shares held in public (Notes 3 & 5)
March	25,391	0.00%	0.01%
April	10,737	0.00%	0.00%
May	30,000	0.00%	0.01%
June	18,190	0.00%	0.01%
July	8,286	0.00%	0.00%
August (Note 4)	58,143	0.01%	0.03%
September (up to the Last Non-compliance Trading Day) (Note 6)	266,353	0.03%	0.12%

Notes:

1. Source: Bloomberg and the Stock Exchange's website
2. Calculated based on the average daily trading volumes of the Shares divided by the total number of the issued Shares at the end of each month.
3. Calculated based on the average daily trading volumes of the Shares divided by the total number of Shares held by the public at the end of each month.
4. Trading in the Shares was suspended from 16 August 2021 to 25 August 2021, pending the release of the Announcement.
5. The public float of the Company excluded the Shares held by (i) Fung Yu and Total Honest, being the Controlling Shareholders; (ii) Dazhong (HK), Shanghai Dazhong and Action East, being the substantial Shareholders; and (iii) Mr. DU Shaozhou and Mr. LI Jianyi, being the executive Directors.
6. Trading in the Shares has been suspended since 27 September 2021.

The above table illustrated during the Review Period, the average daily trading volume fluctuated between 100 Shares up to 2,158,952 Shares, representing approximately 0.00001% to 0.24% of the total number of the issued Shares and approximately 0.00004% to 0.95% of the total number of the Public Float Shares on the Last Non-compliance Trading Day.

We noted from the above table that the average daily trading volume of the Shares was unexceptionally high in October 2019 in comparison with other months during the Review Period. The Directors advised that they were not aware of any reasons for the sudden surge in average daily trading volume in October 2019, in particular on 17 October 2019 which set a record high daily volume of 45,000,000

Shares, thereby resulting in an exceptional high average daily volume in October 2019. Furthermore, based on the table above, the average daily trading volume of the Shares also hiked up from 149,238 Shares in June 2020 to 1,028,091 Shares in July 2020. The average daily trading volume also maintained high at 859,333 Shares in August 2020 and 610,000 Shares in September 2020. In addition, the Share prices during this period had also increased significantly when voluntary announcements had been made by the Company as mentioned in the above paragraph headed “(a) *Historical Share price performance compared to the Cancellation Price*”. Subsequently after September 2020, the average daily trading volume dropped to 65,000 Shares in October 2020.

From 1 January 2021 to 13 August 2021 (being the Last Trading Day), the average daily trading volumes of the Shares ranged between 8,286 to 76,223, representing approximately 0.004% to 0.03% of the Public Float Shares, which is regarded as relatively thin. Furthermore, the publication of the Announcement might have slightly heightened the trading activity, with average daily trading volumes of the Shares increasing from 108,500 Shares at the end of August 2021 (26 August 2021, the next trading day following the publication of the Announcement) to 266,353 in September up to the Last Non-compliance Trading Day, representing approximately 0.05% to 0.12% of the Public Float Shares.

The Shares have been suspended from trading on the Stock Exchange since 27 September 2021. As discussed above, it is highly uncertain whether trading in the Shares can be resumed as the Company has only satisfied one requirement under the Resumption Guidance, i.e. publication of the revised interim results announcement for the six months ended 30 June 2021 and the 2021 Interim Report, as at the Latest Practicable Date. In addition, in the event the Trading Resumption takes place after the despatch of the Scheme Document, taking into consideration the generally low trading volume except for the abovementioned specific period, the Disinterested Shareholders who wish to dispose their Shares in a short period of time (especially those with relatively sizable shareholdings) may experience a possible downward pressure on the market price of the Shares. Moreover, following the publication of the Announcement, the trading volume remained thin in general prior to the Trading Suspension on 27 September 2021. Given that the exact time for the Trading Resumption is unknown and subject to, among other things, fulfilment of the Resumption Guidance to the satisfaction of the Stock Exchange and high uncertainty of resumption of trading in the Shares as well as the possible lack of public trading platform thereafter, the Cash Alternative offers a chance for the Disinterested Shareholders to realise their investments in the Company at a fixed cash price (i.e. Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative) immediately, if they wish to do so.

*(iii) Comparison analysis**(a) Privatisation precedents in Hong Kong*

For the purpose of comparing the Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative, we have researched on recent privatisation proposals (the “**Privatisation Precedents**”) of companies listed on the Main Board of the Stock Exchange announced approximately one year prior to 13 August 2021, being the Last Trading Day and up to and including the Latest Practicable Date, excluding those precedents (i) which were not/yet to be approved (or, where applicable, required acceptance level were not/yet to be achieved), or failed; and (ii) without cash consideration. We have adopted the selection criteria having considered (i) the Company is listed on the Main Board of the Stock Exchange; (ii) the time span commencing from 13 August 2020 provides a general overview of the pricing of recent privatisation proposal for the purpose of this analysis; and (iii) given the main purpose of the Proposal is to take-private of the Company, we are of the view that the pricing basis of the proposals would not be affected by the methods of privatisation adopted to implement the proposals (i.e. scheme of arrangement, voluntary general offer or merger by absorption). Although the business nature and scale of each of the Privatisation Precedents vary and some aspects of pricing may be industry-specific, the discounts and premia represented by the Privatisation Precedents reflect the pricing of the recent transactions of this type in the Hong Kong market. Thus, we are of the view that the Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria.

The following table is the comparison of cancellation prices/offer prices over the market prices at which the Privatisation Precedents were priced:

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day (“LTD”) share price	10-day average share price prior to LTD	30-day average share price prior to LTD	90-day average share price prior to LTD	180-day average share price prior to LTD	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)	
15 Oct 21	Yorkey Optical International (Cayman) Ltd. (2788)	Engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases	54.4	77.1	78.5	77.1	78.5	9.5

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price	10-day average share price	30-day average share price	90-day average share price	180-day average share price	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)
30 Sept 21	C.P. Pokphand Co. Ltd. (43)	Production and sale of animal feed, breeding, farming and sale of livestock and aquatic animals, and production and sale of value-added processed food products	19.8	17.4	27.8	30.7	27.8	7.5
06 Sept 21	Hop Hing Group Holdings Limited (47)	Operation of quick service restaurants business	73.9	76.2	70.9	61.0	66.3	57.8
14 August 21	Good Friend International Holdings Inc. (2398)	Design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks	50.0	73.8	61.6	38.9	28.4	15.4
27 Jul 21	Nature Home Holding Company Limited (2083)	Manufacture and sale of flooring products and customised home decoration products	39.3	38.0	31.8	38.2	53.2	(19.0)
09 Jul 21	Beijing Capital Land Ltd. (2868)	Developing the four main business streams of residential property development, integrated outlets, urban core integrated complex and primary land development	62.8	77.2	127.6	143.5	122.4	(38.4)

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price	10-day average share price	30-day average share price	90-day average share price	180-day average share price	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)
05 Jul 21	Clear Media Limited (100)	Bus shelter advertising network in Mainland China	0.0	0.0	0.0	0.0	0.0	63.7
25 Jun 21	Bestway Global Holding Inc. (3358)	Manufacturing and sales of high quality and innovative PVC sporting and leisure products	27.0	32.7	47.0	71.8	101.8	18.0
18 May 21	Chong Hing Bank Limited (1111)	Banking and related financial services	51.2	102.5	107.4	113.5	119.4	(10.1)
28 Feb 21	Xiezhong International Holdings Limited (3663)	Development, production and sales of automotive HVAC systems and a range of automotive HVAC components	17.6	21.2	25.0	42.9	15.9	42.9
25 Feb 21	Sichuan Languang Justbon Services Group Co., Ltd. (2606)	Provision of property management services, consultancy services and community value-added services	39.4	37.3	46.8	57.4	26.5	218.1
5 Feb 21	Zhejiang Cangnan Instrument Group Company Limited (1743)	Manufacture and sales of a wide range of industrial and commercial gas flowmeters	10.9	10.6	12.0	21.8	(36.8)	24.6

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price	10-day average share price prior to LTD	30-day average share price prior to LTD	90-day average share price prior to LTD	180-day average share price prior to LTD	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)	
22 Jan 21	Zhuhai Holdings Investment Group Limited (908)	Ferry services, hotel, tourist attraction and property development and public utilities and financial investment	37.8	37.5	52.4	57.4	83.5	112.0
21 Jan 21	Polytech Asset Holdings Ltd (208)	Property investment and development, oil exploration and production, manufacturing of ice, provision of cold storage services and financial investments	61.3	63.2	72.6	104.1	99.1	51.7
20 Jan 21	Zhejiang New Century Hotel Management Co., Ltd. (1158)	Operation and management of mid-scale to upscale hotel chains business	24.7	22.3	20.8	20.3	27.7	209.5
17 Jan 21	HKC (Holdings) Limited (190)	Property development and investment mainly in the PRC	120.4	123.2	119.8	99.1	79.0	(67.6)
13 Jan 21	China Machinery Engineering Corporation (1829)	International engineering contractor and service provider, focuses on the engineering, procurement construction (EPC) projects	45.1	93.7	118.9	127.0	104.6	(21.6)
22 Dec 20	Huifu Payment Limited (1806)	Independent third-party payment service provider in the PRC	26.8	41.8	47.0	44.9	45.7	81.5

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price	10-day average share price	30-day average share price	90-day average share price	180-day average share price	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)
18 Dec 20	SHK Hong Kong Industries Limited (666)	Investments in listed and unlisted financial instruments	50.0	52.5	56.7	69.4	72.1	(22.2)
17 Dec 20	Rivera (Holdings) Limited (281)	Property development and investment in Shanghai and securities trading and investment in Hong Kong	62.5	63.7	63.6	73.3	63.9	(29.4)
14 Dec 20	Creative Enterprise Holdings Limited (3992)	Property management services and other related services in Hong Kong for both public and private properties	(5.5)	4.0	3.3	7.1	42.2	124.0
06 Dec 20	I.T Limited (999)	Design, sourcing and sales of fashion wears and accessories	54.6	96.6	135.5	173.0	156.7	73.1
13 Nov 20	CAR Inc. (699)	Car rental services in the PRC to individual and corporate customers	18.0	31.4	52.2	57.1	45.7	102.9
30 Oct 20	Tonly Electronic Holdings Limited (1249)	Research and development, manufacture and sales of audiovisual products	19.0	21.2	28.0	35.8	59.4	88.1
15 Oct 20	Shanghai Prime Machinery Company Limited (2345)	Design, manufacture and sale of turbine blades, bearings, fasteners, cutting tools	68.4	108.6	110.5	129.8	138.4	(41.0)

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price approximate % (Notes 1 & 2)	10-day average share price prior to LTD approximate % (Notes 1 & 2)	30-day average share price prior to LTD approximate % (Notes 1 & 2)	90-day average share price prior to LTD approximate % (Notes 1 & 2)	180-day average share price prior to LTD approximate % (Notes 1 & 2)	
04 Oct 20	CIMC-TianDa Holdings Company Limited (445)	Manufacture and sale of airport facilities	20.4	21.2	18.2	37.1	40.0	21.3
27 Sept 20	China Zhongdi Dairy Holdings Company Limited (1492)	Raising and breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows and breeding stock	11.0	20.0	22.8	77.6	124.7	16.6
24 Sept 20	AMVIG Holdings Limited (2300)	Printing of cigarette packages and manufacturing of transfer papers and laser film	51.4	53.5	56.8	55.7	40.5	(45.9)
11 Sept 20	Inner Mongolia Energy Engineering Co., Ltd. (1649)	Provide a full range of service in consultancy, survey, design, general contracting, and engineering in the power industry in the PRC	51.3	55.2	40.6	25.9	51.3	55.2
07 Sept 20	Changshouhua Food Company Limited (1006)	Corn oil business, the production and sales of refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil, and the production and sales of corn meal	16.4	24.7	43.2	65.8	59.1	(38.5)

Date of initial announcement	Company (stock code)	Principal business	Premium/discount of cancellation price/offer price over					NAV per share attributable to the shareholders
			last trading day ("LTD") share price	10-day average share price prior to LTD	30-day average share price prior to LTD	90-day average share price prior to LTD	180-day average share price prior to LTD	
			approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 2)	approximate % (Notes 1 & 3)	
27 Aug 20	Leyou Technologies Holdings Limited (1089)	Development and publishing of online multi-player PC/console video games	4.5	5.7	8.3	25.0	29.2	469.3 (Note 4)
		Minimum	(5.5)	0.0	0.0	0.0	(36.8)	(67.6)
		Maximum	120.4	123.2	135.5	173.0	156.7	218.1
		Average	38.2	48.5	55.1	63.9	63.4	49.3
		Median	39.3	38.0	47.0	57.4	59.1	21.3
25 Aug 21	The Company		2.9	23.2	25.6	26.3	23.8	30.2

Source: Bloomberg and the Stock Exchange's website

Notes:

1. Subject to rounding differences.
2. Up to and including the LTD of the shares prior to the publication of the respective Privatisation Precedents' Rule 3.5 announcements or Rule 3.7 announcements (where applicable).
3. Based on the NAV per share attributable to the shareholders (where applicable) as extracted from the respective Privatisation Precedents' Rule 3.5 announcements or Rule 3.7 announcements (where applicable) or their respective latest published financial statements prior to the publication of Rule 3.5 announcements or Rule 3.7 announcements (where applicable).
4. Leyou Technologies Holdings Limited shows a premium of the cancellation price over the NAV per share attributable to the shareholders of approximately 469.3%. Given the significant deviation from other Privatisation Precedents ranging from discount of approximately (67.6)% to premium of approximately 218.1%, we consider it an outlier and have not included it in setting out the average, median, maximum and minimum of the cancellation price over the NAV per share attributable to the shareholders.

As shown in the above table, despite lower than the corresponding average and median, the premia represented by the Cancellation Price of HK\$2.50 per Scheme Share over the prevailing closing price of the Shares for different periods up to and including LTD were within the corresponding range of premia or discounts of the Privatisation Precedents.

Although the premium represented by the Cancellation Price of HK\$2.50 per Scheme Share over the Company's NAV per Share attributable to the Shareholders of approximately 30.2% is below the average of the Privatisation Precedents of

approximately 49.3%, it is within the range of the Privatisation Precedents (ranging from discount of approximately (67.6)% to premium of approximately 218.1%) and higher than the median of approximately 21.3%.

Overall, we consider that all the premia represented by the Cancellation Price of HK\$2.50 per Scheme Share over the prevailing average closing prices and NAV per share attributable to Shareholders are in line with the Privatisation Precedents and determined in line with the market practice as they fell well within the range of the Privatisation Precedents.

(b) Peer comparison

For comparison, we have conducted a search of companies listed on the Main Board of the Stock Exchange engaging in similar business of the Group and in similar size on a best effort basis. According to the Annual Report 2020, the Group is mainly engaged in natural gas operation, which is the only reportable operating segment. Based on the closing price of HK\$2.43 per Share as quoted on the Stock Exchange on the Last Trading Day, the market capitalisation of the Company was approximately HK\$2,194 million.

Accordingly, we have selected companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange with market capitalisation on the Last Trading Day between HK\$1,000 million and HK\$4,000 million (which represents approximately lowest and highest market capitalisation of the Company during the Review Period); and (ii) over 50% of their revenue derived from the sales of natural gas in their respective latest financial years.

On this basis, we have identified two comparable companies (the “**Peer Comparables**”) as listed below, which represent an exhaustive list of comparable companies. Although the number of the Peer Comparables were limited, having taken into account (i) the Peer Comparables fell within the abovementioned criteria such that the business of the Group and the Peer Comparables were similar as 50% of their revenues were derived from the sales of natural gas and there was no material difference between the market capitalisation of the Company and the Peer Comparables, we consider that the research on the Peer Comparables still provides a relevant analysis for the Disinterested Shareholders.

In assessing the fairness and reasonableness of the Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative, we have adopted the price-to-book ratio (“**PBR**”) and price-to-earnings ratio (“**PER**”), which are the two commonly used valuation benchmarks in valuing a company’s shares.

Company (stock code)	Market capitalisation (HK\$ million) (Notes 1 & 2)	Net profit (HK\$ million) (Note 3)	Net assets (HK\$ million) (Note 3)	PER times (Note 4)	PBR times (Note 5)
China Oil and Gas Group Ltd (603) (“China Oil & Gas”)	2,307	29	3,778	80.2	0.6
Binhai Investment Company Ltd (2886) (“Binhai Investment”)	2,231	355	1,942	6.3	1.1
Company (based on the Cancellation Price)	2,258	65	1,871	34.5	1.2

Source: Bloomberg and the Stock Exchange’s website

Notes:

1. The market capitalisation of the Company is calculated based on the Cancellation Price of HK\$2.50 per Scheme Share multiplied by the number of ordinary Shares on the Last Trading Day.
2. Market capitalisation figures of the Peer Comparables are calculated based on their respective closing price on the Last Trading Day.
3. The figures relating to the Company are converted to HK\$ based on the exchange rate of RMB1 = HK\$0.83104.
4. The historical PER of the Peer Comparables and the Company are calculated based on their respective latest audited consolidated net profits attributable to shareholders set out in their 2020 annual reports and their respective market capitalisation on the Last Trading Day.
5. The historical PBR of the Peer Comparables and the Company are calculated based on their respective audited consolidated net assets attributable to shareholders set out in their 2020 annual reports and their respective market capitalisation on the Last Trading Day.

As shown in the table above, the PERs of China Oil & Gas and Binhai Investment are approximately 80.2 times and 6.3 times. The PER of the Company is approximately 34.5 times, which is lower than the PER of 80.2 times represented by China Oil & Gas, but higher than the PER of Binhai Investment. The PBRs of China Oil & Gas and Binhai Investment are approximately 0.6 times and 1.1 times respectively, whereas the PBR of the Company is 1.2 times and slightly above the PBRs of the Peer Comparables.

We note that the PERs of the Peer Comparables are widely different and in our opinion, such difference can be construed due to the difference in the financial performance between the Group and the Peer Comparables. As presented above, China Oil & Gas recorded a profit attributable to owners of the company of approximately HK\$29 million for FY20 and experienced a significant drop from approximately HK\$331 million for FY19, which was attributable by the one-off impairment of the oil and gas assets in Canada of the company as stated in the profit warning announcement issued by China Oil & Gas dated 15 March 2021. Whilst China Oil & Gas still have a market capitalisation of certain value and given the significant decrease in profit, its PER would be elevated to a higher value. Regarding Binhai Investment which was trading at a lower PER, it demonstrated a significant increase from a profit attributable to owners of the company of approximately HK\$81.1 million in FY19 to approximately HK\$355.0 million in FY20. Binhai Investment issued a profit alert announcement dated 8 February 2021 stating that such increase was mainly due to (i) the gains arising its US\$300 million bonds; (ii) recovery of receivables which successfully reverted the corresponding bad debt; and (iii) leveraging on the increasing proportion of primary source of gas in gas procurement and other factors. Meanwhile, the Company encountered a decrease in profit attributable to the owners of the parent from approximately RMB70.2 million for FY19 to approximately RMB54.4 million for FY20, which was mainly attributable to the decrease in revenue for FY20 as previously mentioned.

In summary, the PER of the Company falls in between the PERs of the Peer Comparables while the Company exhibits higher PBR than that of the PBRs of the Peer Comparables, as such, we are of the view that the Cancellation Price of HK\$2.50 per Scheme Share is fair and reasonable and not underpriced as compared to the Peer Comparables from the PER and PBR perspective.

5. Share Alternative and HoldCo

Under the Proposal, apart from the Cash Alternative, the Scheme Shareholders are also offered to elect the Share Alternative. Under the Share Alternative, the Scheme Shareholders are offered one New Share in HoldCo for every Scheme Share. The HoldCo Shares are shares of a business company incorporated in the British Virgin Islands which is an unlisted, investment holding company with limited liability. Before the Scheme becomes effective, the Offeror is and continues to be the sole shareholder of HoldCo, legally and beneficially owning one HoldCo Share. Upon the Scheme becoming effective, one HoldCo Share held by the Offeror will then be repurchased and cancelled by HoldCo.

The actual number of New Shares to be issued under the Share Alternative will be determined after the latest time for the election of the Cash Alternative or the Share Alternative. Fractions of New Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number. Following the Effective Date, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative), and the value of the HoldCo Shares will primarily be determined by the value of the Scheme Shares, with an announced price of HK\$2.50 per Scheme Share under the Cash Alternative. Further details of the Share Alternative and HoldCo are set out in “*Letter from the Board*” in Part IV of the Scheme Document and the Explanatory Memorandum.

(i) Restriction and rights of HoldCo Shares

HoldCo Shares are shares of an unlisted company in the British Virgin Islands and are illiquid with no ready market. Although shareholders of HoldCo will not benefit from the protections afforded by the Listing Rules and the Takeovers Code (if the HoldCo is not determined by the Executive to be a “public company in Hong Kong”), their rights and obligations in relation to HoldCo will be governed by the provisions of the articles of association of HoldCo, which are detailed in the “*Letter from the Board*” as set out in Part IV of the Scheme Document, the Explanatory Memorandum and the relevant appendices of the Scheme Document.

If Disinterested Shareholders wish to consider the Share Alternative, they are recommended to read the information carefully, particularly the paragraph headed “*The Share Alternative*” under the section headed “*2. Terms of the Proposal*” as set out in the Explanatory Memorandum. Risks which Disinterested Shareholders should consider in evaluating the Share Alternative are set out below in this sub-section “*(iii) Risk factors of holding the HoldCo Shares*”.

(ii) Valuation of the HoldCo Shares

As mentioned in above paragraph, under the Share Alternative, each Scheme Shareholder is entitled to receive one HoldCo Share for every Scheme Share held. The full text of the Estimate of Value is set out in Appendix VII to the Scheme Document. On the basis of, and subject to, the assumptions and methodology in the Letter from CICC, the Estimate of Value ranged between HK\$1.75 and HK\$2.50 for each HoldCo Share. Under the Share Alternative, each Scheme Shareholder is entitled to receive one New Share in HoldCo for every Scheme Share held, implicating that a consideration of each Scheme Share of HK\$1.75 to HK\$2.50 (calculated as HK\$1.75 multiply by 1 and HK\$2.50 multiply by 1 respectively). Disinterested Shareholders should note that it is expressed in the Letter from CICC that such Estimate of Value is not necessarily indicative of, among others, the price at which the HoldCo Shares might actually trade at any future date.

We have reviewed and discussed with CICC the methodology used, and the bases and assumptions adopted, for the Estimate of Value. It is noted that CICC has made several major assumptions, included but not limited to: (i) the HoldCo Shares issued in connection with the Proposal comprise the entire issued share capital of HoldCo and no person has any right to acquire or subscribe any share or loan capital of HoldCo other than the HoldCo Shares issued in connection with the Proposal; (ii) the Shares subject to the Proposal comprise the entire issued share capital of the Company and, no person other than the Offeror has any right to acquire or option to subscribe for any share or loan capital of the Company and no share capital of the Company is disposed of nor any right granted over or in respect of it at any future date; (iii) the Group will continue to operate in the ordinary course as a going concern and is not subject to any material adverse event and the assets and liabilities of the Group are fairly reflected in the 2020 Annual Report and the 2021 Interim Report; and (iv) no Outstanding Share Options are exercised before the Option Record Date.

Set out below is a summary of the scenario illustrating the calculations of the Estimate of Value:

		Assuming only the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders elect the Cash Alternative
Cancellation Price per Scheme Share	A	HK\$2.50
Total number of Scheme Shares (Note 1)	B	903,084,000
Value of the Scheme Shares	A X B = C	HK\$2,257,710,000
Number of HoldCo Shares in issue immediately following implementation of the Proposal	D	452,192,000 (Note 2)
HoldCo's percentage of shareholding in the Company	D / B = E	50.1%
Total value of the New Shares issued by the HoldCo	C X E = F	HK\$1,130,480,000
Top end value per HoldCo Share	F / D	HK\$2.50
Bottom end value per HoldCo Share (30% discount)		HK\$1.75

Notes:

1. Assuming no Outstanding Share Options are exercised before the Option Record Date.
2. Based on the Share Alternative basis of one New Share in HoldCo for every Scheme Share, calculated by deducting the total 903,084,000 Scheme Shares by the aggregate number of 450,892,000 Scheme Shares held by the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders pursuant to the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings.

As referred to the Letter from CICC, it is noted that the Estimate of Value is based on the announced value of HK\$2.50 per Scheme Share under the Cash Alternative and has been derived under one scenario which is assuming only the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders elect the Cash Alternative as it is not certain whether the remaining Scheme Shareholders (including Dazhong (Hong Kong), Shanghai Dazong and Action East, being members of the IU Shareholders) will elect the Cash Alternative or the Share Alternative. In the above scenario, CICC did not include all the Scheme Shares held by the Minority IU Shareholders, in particular, 2,000 Shares out of 8,222,000 Shares held by ZHANG Hong (張紅) that were not subject to the relevant Minority IU Shareholders Irrevocable Undertaking.

As shown on the above table, each of the HoldCo Shares has an estimated value of HK\$2.50 at the top end of the range and an estimated value of HK\$1.75 at the bottom of the range. The main difference between the top end and low end of the range is the assumption on discount for the non-marketability of the HoldCo Shares. For the bottom end value, a 30% discount on the value of the HoldCo Shares was applied, and there was no discount applied on the top end value. CICC believes that such range of discounts is an appropriate assumption to use for this purpose as it is consistent with the approach taken in recent market privatisation precedents in Hong Kong which involves unlisted shares being offered as an alternative transaction consideration and which adopts an illiquidity discount methodology to assess the value of the unlisted shares. Based on the above, the Estimate of Value would be within a range of HK\$2.50 and HK\$1.75.

In view that the HoldCo Shares are illiquid with considerable restriction and limited shareholders' rights, we consider applying a discount to the HoldCo Shares is reasonable. In assessing the level of discount, we have identified, at our best effort, an exhaustive list of general offer/privatisation cases involving valuation of unlisted shares published of the respective composite documents and/or scheme documents since April 2012 (being 10 years from the Latest Practicable Date) and we note that the non-marketability discounts of 30% were applied. We consider the review period which covers 10 years to be sufficient and representative to provide an overview of the general market practice in relation to the valuation of unlisted shares with the lack of marketability and shareholders' rights.

Date of scheme/ composite document	Company (stock code)	Discount applied
10 November 2021	Lee Hing Development Limited (68)	30%
3 August 2021	Clear Media Limited (100)	30%
26 January 2021	Huifu Payment Limited (1806)	30%
20 June 2019	China Power Clean Energy Development Company Limited (735)	30%
5 September 2016	Nirvana Asia Ltd (1438)	30%
23 July 2013	Yashili International Holdings Ltd (1230)	30%

Source: the Stock Exchange's website

Taking into consideration that the HoldCo Shares under the Share Alternative are unlisted and illiquid, we are of the view that the methodology sets out in the Letter from CICC is a reasonable approach in establishing the Estimate of Value and is in line with commonly adopted approaches in similar privatisation cases for share alternatives in Hong Kong. Moreover, depending on different circumstances, it is not practicable to precisely estimate a discount to reflect lack of marketability and limited shareholders' rights (from the Disinterested Shareholders' perspective). On the basis of the above, we are of the view that a range of 0% to 30% adopted by CICC in its estimate, to be acceptable.

For further details of the methodology, basis, assumptions and computations of the Estimate of Value, please refer to the Letter from CICC set out in Appendix VII to the Scheme Document which should be read in its entirety.

(iii) Risk factors of holding the HoldCo Shares

Disinterested Shareholders should bear in mind the risk factors of holding the HoldCo Shares and indirect ownership of the Company (after the Company is delisted) through HoldCo as set out in the paragraph entitled "*Risk factors of electing the Share Alternative*" under the section headed "*2. Terms of the Proposal*" in the "*Letter from the Board*" in Part IV of the Scheme Document and the subparagraph entitled "*The Share Alternative – The Company (following the Effective Date)*" under the section headed "*2. Terms of the Proposal*" in the Explanatory Memorandum, in particular the following:

- (i) the HoldCo Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules and the Takeovers Code (if the HoldCo is not determined by the Executive to be a "public company in Hong Kong");

- (ii) the HoldCo Shares are illiquid, hence the shareholders of HoldCo may find it more difficult to find a purchaser for the HoldCo Shares if they intend to sell their shares, as there is less likely a ready market for HoldCo Shares; and
- (iii) there is no guarantee that any dividend payments will be paid in respect of the HoldCo Shares.

The Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders together held or owned (or an interest in the Shares) 450,894,000 Shares, representing approximately 49.93% of the total issued share capital of the Company as at the Latest Practicable Date.

Disinterested Shareholders should note that an aggregate number of 450,892,000 Shares (or an interest in the Shares) held or owned by the Controlling Shareholders, the Minority IU Shareholders (excluding ZHANG Hong's (張紅) interests in 2,000 Shares which are not subject to the relevant Minority IU Shareholders Irrevocable Undertaking) and the Entrustment Minority Shareholders under the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, shall elect the Cash Alternative as the form of Cancellation Consideration, representing approximately 49.93% of the total issued share capital of the Company as at the Latest Practicable Date.

Accordingly, Disinterested Shareholders should note that given the nature of the HoldCo Shares, the risks and restriction associated with them as set out in the subparagraph headed "*The Share Alternative – The Company (following the Effective Day)*" under the section headed "*2. Terms of the Proposal*" in the Explanatory Memorandum and highlighted in this section, the illiquid nature of the HoldCo Shares, uncertainty over the dividend payment by HoldCo and the election of the Cash Alternative by the Controlling Shareholders, the Minority IU Shareholders (excluding ZHANG Hong's (張紅) interests in 2,000 Shares which are not subject to the relevant Minority IU Shareholders Irrevocable Undertaking) and the Entrustment Minority Shareholders, we consider the Share Alternative to be suitable principally for sophisticated Disinterested Shareholders only, and we do not consider it suitable for the general Disinterested Shareholders.

Before deciding whether to accept the Share Alternative, aside from the specific features of the Share Alternative and the associated risks of holding HoldCo Shares, the Disinterested Shareholders should also consider (i) the background of the Offeror; (ii) the future prospects and profitability of the Group excluding the Disposal Group (the "**Remaining Group**"), and (iii) the material internal control deficiency yet to be corrected and no assurance on existing internal control measures are effective to prevent future re-occurrence of the Relevant Transactions as discussed in the paragraph headed above "*(iii) Prospects of the Group*" under the section "*1. Information and prospects of the Group*".

6. Option Offer

The Offeror is making the Option Offer in accordance with Rule 13 of the Takeovers Code to all the holders of the Outstanding Share Options, whether vested or unvested. The Option Offer is conditional upon the Scheme becoming effective and will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from the Stock Exchange. As at the Latest Practicable Date, as set out in the “*Letter from the Board*” in Part IV of the Scheme Document, there were 50,250,000 Outstanding Share Options granted under the Share Option Scheme, of which 16,500,000 Share Options had an exercise price of HK\$2.00, 19,250,000 Share Options had an exercise price of HK\$2.28 and 14,500,000 Share Options had an exercise price of HK\$3.06.

As at the Latest Practicable Date, as set out in the “*Letter from the Board*” in Part IV of the Scheme Document, save for the 2,200,000 Share Options owned by Mr. SU Aping (one of the IU Shareholders) and the 7,000,000 Share Options owned by Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) (owned as to 90% by ZHAO Weiliang (趙偉良) and 10% by ZHOU Jinming (周錦明), each a Minority IU Shareholder), the Offeror and the Offeror Concert Parties do not own any Share Options.

According to the “*Letter from the Board*” in Part IV of the Scheme Document, the Company will not grant any further Share Options under the Share Option Scheme before the Long Stop Date. Further details of the Share Options and the Share Option Scheme are set out in the “*Letter from the Board*” in Part IV of the Scheme Document.

If any of the Outstanding Share Options are exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Latest Options Exercise Time, any underlying Shares registered in the name of the relevant Optionholder(s) as at the Scheme Record Date will form part of the Scheme Shares and will be eligible to participate in the Scheme.

If Optionholders do not accept the Option Offer in respect of the Outstanding Share Options and the Scheme becomes effective, such Share Options not exercised by the Latest Options Exercise Time will lapse on the Option Lapsing Date.

As set out in the “*Form of Option Offer Letter*” in Appendix XI to the Scheme Document, if Optionholders (i) choose to do nothing (including not returning a Form of Acceptance) or (ii) fail to return a completed and signed Form of Acceptance in accordance with the instructions set out in the Option Offer Letter, and the Scheme becomes effective, the Optionholders will be treated as if not having accepted the Option Offer in respect of all the Share Options held as at the Option Record Date and he/she will receive neither the Option Offer Price nor the Cancellation Consideration. Further details in relation to the Option Offer are set out in the “*Letter from the Board*” in Part IV of the Scheme Document, the Explanatory Memorandum, and the “*Form of Option Offer Letter*” in Appendix XI to the Scheme Document.

Under the Option Offer, the Offeror is offering holders of the Outstanding Share Options the “see-through” prices (being the Cancellation Price minus the relevant exercise prices in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code. Where the exercise price of the relevant Share Option under the Option Offer exceeds HK\$2.50, the “see-through” price is zero and a cash offer of a nominal amount of HK\$0.0001 per Share Option will be made.

Exercise price per Share Option	“See-through” price (HK\$)	Number of Outstanding Share Options
HK\$2.00	0.50	16,500,000
HK\$2.28	0.22	19,250,000
HK\$3.06	0.0001	14,500,000

We note that the “see-through” price (representing the Cancellation Price minus the relevant exercise price of the Outstanding Share Option) is adopted for the Option Offer and we understand that the “see-through” price is commonly adopted in Hong Kong for privatisation proposal and general offers of a similar nature.

On the above basis, the exercise price of HK\$3.06 in relation to 14,500,000 Outstanding Share Options is above the Cancellation Price of HK\$2.50 per Scheme Share, hence, out-of-money, the Offeror will pay a zero “see-through” price and a cash offer of a nominal amount of HK\$0.0001 per Share Option.

In respect of the Outstanding Share Options with exercise prices of HK\$2.00 and HK\$2.28, which are lower than the Cancellation Price of HK\$2.50 per Scheme Share, the Offeror will pay a “see-through” price of HK\$0.50 and HK\$0.22 respectively (being the difference between the Cancellation Price and the relevant exercise prices of the Outstanding Share Options).

To sum up, we consider the terms of the Option Offer, which are based on the “see-through” price, is fair and reasonable and in line with market practice, and is in accordance with Rule 13 of the Takeovers Code.

Further details in relation to the Option Offer are set out in the “*Letter from the Board*” in Part IV of the Scheme Document, the Explanatory Memorandum and the “*Form of Option Offer Letter*” in Appendix XI to the Scheme Document.

7. Section summary

In arriving our opinion and recommendation, we have taken into consideration the abovementioned principal factors and reasons for the Proposal and we consider that the Share Alternative is more befitting for sophisticated Disinterested Shareholders, therefore we are of the view that it is not suitable for the general Disinterested Shareholders. Consequently, the discussion below applies to the Cash Alternative except for the paragraph below on the Share Alternative. Moreover, we would like to draw the attention of the Disinterested Shareholders and the Optionholders to the particulars as summarised below:

- the Scheme Shares will be cancelled at HK\$2.50 under the Cash Alternative, offers premium of approximately 23.15% to 26.26% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10, 30, 60, 90 and 180 trading days up to and including the Last Trading Day, which is equal to or higher than the closing price of the Shares during the Review Period;
- the Trading Suspension has taken place since 27 September 2021 and the exact time for the Trading Resumption is unknown and is subject to, among other things, the fulfilment of the Resumption Guidance to the satisfaction of the Stock Exchange and high uncertainty as to whether trading in the Shares can be resumed, the Disinterested Shareholders will find it extremely hard to realise any value in the Shares in possible lack of a public trading platform for the Shares, as such, the Cash Alternative offers an exit opportunity for the Disinterested Shareholders to monetise their Shares;
- the premiums represented by the Cancellation Price over the prevailing average closing prices fall well within the range of the Privatisation Precedents, in general, we are of the view that the Cancellation Price is determined in line with the market practice;
- the PER of the Company falls in between the PERs of the Peer Comparables while the Company exhibits a higher PBR than that of the PBRs of the Peer Comparables, therefore, we are of the view that the Cancellation Price is fair and reasonable;
- as set out in the Letter from CICC, the Estimate of Value is HK\$1.75 (if a 30% discount for non-marketability is applied) – HK\$2.50 (the same as the Cancellation Price under the Cash Alternative) per HoldCo Share. The HoldCo Shares are subject to certain risks and restriction, in particular, (i) the HoldCo Shares are unlisted with no ready market; and (ii) there is no guarantee that any dividends will be paid by the HoldCo nor is there any dividend payment schedule in respect of the HoldCo Shares. Accordingly, we consider the Share Alternative to be suitable for sophisticated Disinterested Shareholders, should they be ready to invest in illiquid HoldCo Shares and participate in the continual development of the Company; and
- the terms of the Option Offer, which are based on the “see-through” price, is commonly adopted in Hong Kong for privatisation proposal and general offers of a similar nature.

(i) Proposal – the Scheme

After considering the above factors, we are of the view that the terms of the Proposal in respect of the Scheme to be fair and reasonable insofar as the Disinterested Shareholders are concerned. Accordingly, we recommend the Takeovers Code IBC to advise the Disinterested Shareholders to (i) vote in favour of the resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme; and (ii) accept the Cash Alternative with the qualification set out below.

Disinterested Shareholders should note that the Cancellation Price of HK\$2.50 per Scheme Share under the Cash Alternative represents a premium of approximately 3.31% over the closing price of the Shares of HK\$2.42 on the Last Non-compliance Trading Day. Upon the Scheme becoming effective, the listing of the Shares will be withdrawn. In the event that the Scheme does not become effective and the Company is unable to fulfill the Resumption Guidance, trading in the Shares will remain suspended. Thereafter, the Disinterested Shareholders may continue to face obstacle or encounter great difficulties to dispose of the Shares. The Stock Exchange may cancel the listing of the Shares if trading has been suspended for a continuous of 18 months pursuant to Rule 6.01A(1) of the Listing Rules. The deadline of which is 26 March 2023.

Furthermore, we recommend the Disinterested Shareholders to accept the Cash Alternative, Cancellation Price of HK\$2.50 per Scheme Share, and not to take the Share Alternative, which in our opinion, is catered for large and sophisticated Disinterested Shareholders and not suitable for general Disinterested Shareholders. We are of the opinion that only those Disinterested Shareholders who are confident and attracted to the prospects of the Group as described in the paragraph headed above “*(iii) Prospects of the Group*” under the section “*1. Information and prospects of the Group*” and have carefully considered the specific features of the Share Alternative and the associated risks of holding HoldCo Shares, could consider taking the Share Alternative. The Disinterested Shareholders, who wish to retain some or all of their investments in the Shares by accepting the Share Alternative, are reminded to monitor the development of the Remaining Group, in particular the Offeror’s business plan or strategies, and the Company’s announcements following the publication of the Scheme Document.

Notwithstanding our recommendations, the Disinterested Shareholders are strongly advised that the voting decision at the Court Meeting and the General Meeting is subject to individual circumstances and investment objectives. If in doubt, the Disinterested Shareholders should consult their own professional advisers for professional advice. The Disinterested Shareholders are strongly recommended to read carefully the information contained in the Scheme Document before making the voting decision.

(ii) Option Offer

We consider the terms of the Option Offer, which are based on the “see-through” price, to be fair and reasonable insofar as the Optionholders are concerned. Accordingly, we recommend the Takeovers Code IBC to advise the Optionholders to accept the Option Offer.

If any of the Outstanding Share Options are exercised in accordance with the terms of the Share Option Scheme, as applicable, before the Latest Options Exercise Time, the underlying Shares registered in the name of the relevant Optionholder(s) on or before the Scheme Record Date will form part of the Scheme Shares and will be eligible to participate in the Scheme. If the Optionholders do not accept the Option Offer in respect of the Outstanding Share Options and the Scheme becomes effective, such Share Options not exercised by the Latest Options Exercise Time will lapse on the Option Lapsing Date.

B. PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE TRANSACTIONS (BEING THE SPECIAL DEALS)

In formulating our opinions and recommendations with regard to the Transactions (being the Special Deals), we have taken into account the following principal factors and reasons:

1. Principal terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer)

Pursuant to the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer),

- the Company agreed to sell and Total Honest agreed to purchase the entire issued share capital of Suchuang Dunha, being the Hong Kong Transfer;
- the Company agreed to sell and Total Honest agreed to purchase the entire issued share capital of Argus Holding, being the US Transfer; and
- Suchuang Hong Kong agreed to sell and Total Honest agreed to purchase the entire registered share capital of Suchuang Shanghai, being the Shanghai Transfer.

Under the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer), the considerations for each of the transfers are set out as follows:

Hong Kong Transfer	HK\$100
US Transfer	US\$1,000,000
Shanghai Transfer	Nil
Total	<u>RMB6,472,883 (Note)</u>

Note: The total amount is calculated using the exchange rates of HK\$1.00 = RMB0.83104 and US\$1.00 = RMB6.4728

According to the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), the above considerations have been determined by reference to the consolidated (where applicable) NAV attributable to shareholders as reflected in the consolidated (where applicable) management accounts of the Disposal Group as of 30 June 2021 and adjusted based on the consolidated NAV attributable to the shareholders in the audited financial statement of Suchuang Dunhua, audited consolidated financial statements of Argus Holding, and the audited pro-forma consolidated financial statements of Suchuang Shanghai, as at 30 June 2021.

In addition to the said considerations stated above, it is also agreed under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) that the Suchuang Shanghai Loan and the US Loan would be settled by Total Honest. As such, in addition to the consideration payable for the US Transfer, Total Honest will also repay the remaining outstanding balance of (i) the US Loan, being approximately US\$13.88 million as at the Latest Practicable Date; and (ii) the Suchuang Shanghai Loan, being approximately RMB280.53 million as at the Latest Practicable Date.

Set off arrangement

Pursuant to the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Controlling Shareholders irrevocably undertake to the Offeror that, among others, for the purposes of the equity/share transfers contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), Total Honest agrees that the consideration payable by Total Honest for the equity/share transfers under the Special Deal Arrangement shall be set off against the Total Honest Cash Cancellation Consideration and to instruct the Offeror to deduct from the Total Honest Cash Cancellation Consideration and arrange payment to the Company on behalf of Total Honest. For details, please refer to the section headed “3. Irrevocable undertakings from the IU Shareholders” under the paragraphs headed “Controlling Shareholders Irrevocable Undertaking – Special Deal Agreement” and “Supplemental Agreements” in the “Letter from the Board” in Part IV of the Scheme Document.

Intra-group loans arrangement

The repayment of the outstanding balance of the Suchuang Shanghai Loan of approximately RMB280.53 million as at the Latest Practicable Date is summarised as below:

- (i) RMB104.4 million – offset the consideration for the Kunshan Transfer of RMB104.4 million;
- (ii) approximately RMB0.10 million – assign the Kunshan Loan of approximately RMB0.10 million (being the outstanding balance as at the Latest Practicable Date) to Taicang Natural Gas (a member of the Remaining Group);
- (iii) RMB138 million – directly deduct by the Offeror from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective; and

- (iv) remaining portion of approximately RMB38.04 million – repay by Suchuang Shanghai within two years from the date of Special Deal Completion and if such amount cannot be repaid within two years, the Offeror agrees to extend the repayment deadline to three years from the date of Special Deal Completion, while Suchuang Shanghai shall provide pledge.

As for the Xinjiang Dunhuan Loan, being the remaining portion of the bank loan of RMB50 million under the Loan Agreement, Taicang Natural Gas (a member of the Remaining Group) will continue to provide guarantee to Kuqa Branch of Agricultural Development Bank of China and such amount will be offset by the Total Honest Cash Cancellation Consideration directly by the Offeror upon the Scheme becoming effective.

For details, please refer to the section headed “5. Arrangement material to the Proposal” under the paragraphs headed “Kunshan Transfer consideration” and “Intra-group loans arrangement” in the “Letter from the Board” in Part IV of the Scheme Document.

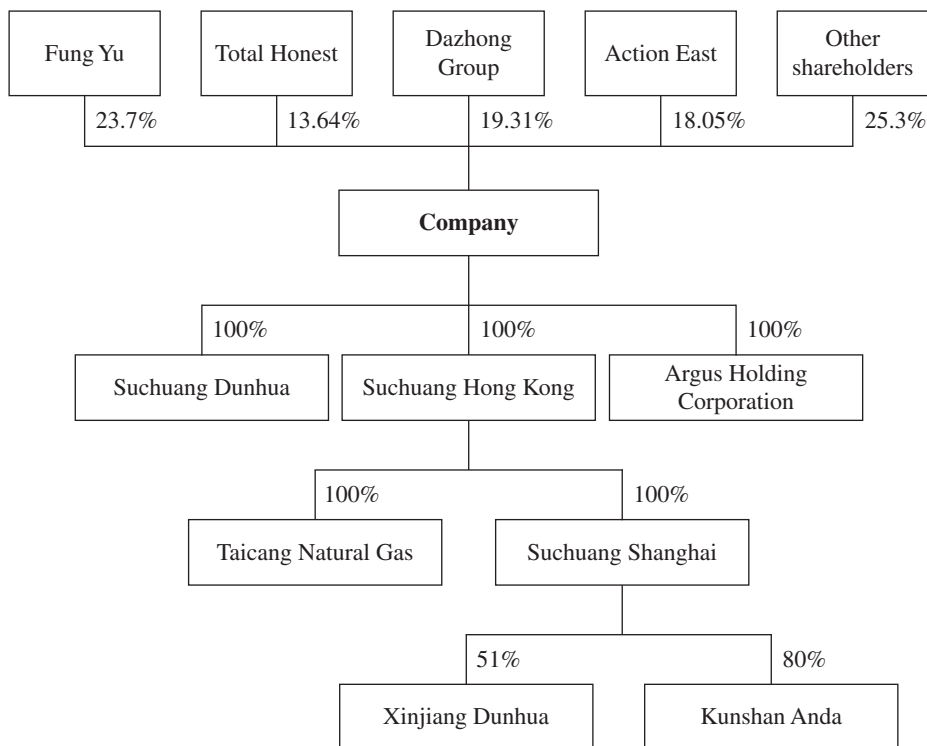
2. Reasons for and benefits of the Transactions (being the Special Deals)

As mentioned in the “Letter from the Board” in Part IV of the Scheme Document, taking into account the Proposal, the Company has agreed to restructure its shareholdings in some investments so as to dispose its non-core businesses. As advised by the Directors, it was a commercial decision among the Board and the Offeror, and mutually agreed between the Offeror and the Controlling Shareholders to restructure the Group’s business prior to the Scheme becoming effective, in particular, the Offeror has no interest in the Group’s overseas business and business which is not relating to natural gas, i.e. Carbon Capture, Utilization and Storage (“CCUS”).

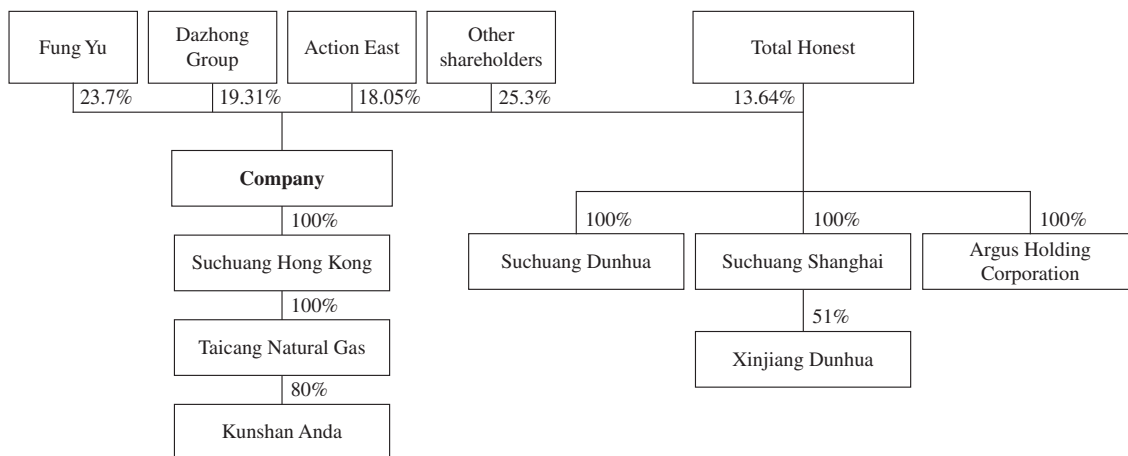
As referred to our analysis in section under “A. Principal factors and reasons considered for the Proposal” above, overseas revenue merely contributed approximately 0.01% to 0.02% during FY19, FY20 and the six months ended 30 June 2021 while the remaining approximately 99.99% to 99.98% of the revenue was derived in the PRC.

The Disposal Group is principally engaged in investment in liquefied natural gas (“LNG”) export terminal businesses outside the PRC and engaging in CCUS business which is not the Group’s main revenue stream. Upon the Scheme becoming effective, the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer) enables the Group to divest its investment in non-core business at a fair consideration while at the same time focus on its principal business in natural gas sales and distribution in the PRC. In addition, as advised by the Management, given the current strain relationship between the PRC and US, they are of the view that it is difficult to promote the CCUS business in US.

The chart below sets out the simplified corporate structure of the Company as at the Latest Practicable Date:



The chart below sets out the simplified corporate structure of the Company immediately upon Special Deal Completion (assuming the Scheme has not become effective):



With reference to the abovementioned reasons to enter into the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement and excluding the Kunshan Transfer), we consider that it is not rare where the relevant parties to the takeovers deal agree to dispose or acquire certain assets of the target company. In this connection, considering that the Transactions (being the Special Deals) are part and parcel of the Proposal

which was requested by the Offeror to the Board, the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) would allow the Group to relocate its financial and human resources to the core business of the Group upon Special Deal Completion. In terms of financial performance and condition, the Disposal Group being lossmaking for FY19, FY20 and the six months ended 30 June 2021 and also at net liabilities position, such divestment will also facilitate the Remaining Group to optimise its investment portfolio and mitigate its financial pressure upon Special Deal Completion.

Therefore, factoring in the above, we are of the view that it is in the interests of the Company to proceed with the Transactions (being the Special Deals).

3. Financial information of the Disposal Group

Financial performance and position

As extracted from the “*Letter from the Board*” contained in Part IV of the Scheme Document, the following table is a summary of the unaudited combined financial information of the Disposal Group for FY19 and FY20, which have been prepared by combining the unaudited historical financial information of the Disposal Group on the basis that the Disposal Group is controlled by the Company and is consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for FY19 and FY20, respectively:

	Year ended 31 December	
	2020 <i>(unaudited)</i> <i>(RMB'000)</i>	2019 <i>(unaudited)</i> <i>(RMB'000)</i>
Combined revenue	3,334	2,595
Combined gross profit	3,334	2,510
Combined profit/(loss) before income tax	(11,629)	(17,137)
Combined profit/(loss) for the year attributable to the owners of the parent of the Disposal Group	(8,215)	(14,517)
Combined net asset value attributable to shareholders	(10,389)	(3,167)

Pursuant to Rule 10 of the Takeovers Code, the unaudited combined gross profit, loss before income tax and loss for the year attributable to the owners of the parent of the Disposal Group for FY19 and FY20 constitute a profit forecast, and should be reported on by the Company’s financial adviser and auditors or consultant accountants under Rule 10.4 of the Takeovers Code and in accordance with Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. The report from Ernst & Young (the Company’s auditors) and our report in this regard are set out in Appendices IV and V respectively, to the Scheme Document.

Revenue

The combined revenue of the Disposal Group increased by approximately 28.5% from approximately RMB 2.6 million in FY19 to approximately RMB3.3 million FY20, primarily due to the service fee received by Suchuang Shanghai for tax planning purpose.

Gross profit

The combined gross profit of the Disposal Group increased by approximately 32.8% from approximately RMB2.5 million for FY19 to approximately RMB3.3 million in FY20, which was mainly attributable to the service fee received by Suchuang Shanghai for tax planning purpose.

Net loss for the year attributable to the owners of the parent of the Disposal Group

The combined loss for the year attributable to the owners of the parent of the Disposal Group decreased by approximately 43.4% from approximately RMB14.5 million for FY19 to approximately RMB8.2 million for FY20, which mainly was attributable to the increase in interest income received and fair value gain of convertible bond approximate of RMB4.5 million from Argus Holding and its subsidiaries (together, the “**Argus Group**”) and the decrease in travelling due to the COVID-19 pandemic.

Net liability

The combined net liability of the Disposal Group increased by approximately 228.0% from approximately RMB3.2 million as at 31 December 2019 to approximately RMB10.4 million as at 31 December 2020, which was mainly attributable to share of losses of associates of Suchuang Shanghai Group.

4. Hong Kong Transfer**(i) Information of Suchuang Dunhua**

Suchuang Dunhua is a company incorporated in Hong Kong with limited liability on 15 September 2020 and a direct wholly-owned subsidiary of the Company. Suchuang Dunhua originally was established as an investment vehicle to promote technologies for CCUS business in the US, however it has not yet commenced any business or operation since incorporation up to the Latest Practicable Date.

As Suchuang Dunhua has not yet commenced any business or operation since its incorporation, no statement of profit or loss was provided. Set out below is the summary of the audited financial information of Suchuang Dunhua for the six months ended in 30 June 2021 as extracted from Appendix IIB to the Scheme Document:

	As at 30 June 2021 HK\$
Total equity	100

As advised by the Management, in the event the Scheme is not implemented and the conditions precedent under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) are not fulfilled, the Company intends to dissolve Suchuang Dunhua as the Management expects with the current relationship between the PRC and the US, the Group will encounter difficulties in promoting CCUS business in the US and their US counterparty may not be able to obtain governmental support or subsidies.

(ii) Basis of consideration

As advised by the Management, the consideration of the Hong Kong Transfer of HK\$100 has been determined by reference to the NAV reflected in the audited accounts of Suchuang Dunhua as at 30 June 2021. Given Suchuang Dunhua has not yet commenced any business or operation since its incorporation, the Directors are of the view that PER and PBR analyses are not applicable and NAV is more applicable in determining the consideration.

Taking into consideration that Suchuang Dunhua has not yet commenced any business or operation since its incorporation, we consider it is meaningless to use the commonly adopted PER and/or PBR analysis for comparison purposes.

Having considered the above and that Suchuang Dunhua has no value in substance, and the Management has no intention to commence its business operation even if the Proposal is not approved, we are of the view that the basis for determining the consideration by reference to its book value, being the NAV, for the Hong Kong Transfer, is fair and reasonable insofar as the Independent Shareholders and the Company are concerned.

(iii) Evaluation

According to the Directors, Suchuang Dunhua was originally established for promoting the CCUS technical skill in the US, whereby US is known for its CCUS technical skills. Considering Suchuang Dunhua has not yet commenced any business or operation since its incorporation and the Directors intend to dissolve it even if the Scheme does not become effective, as such, the Hong Kong Transfer offers an opportunity to dispose a non-operating company. We have reviewed the audited balance sheet of Suchuang Dunhua as at 30 June 2021, and noted Suchuang Dunhua's NAV amounted to HK\$100.

Given the consideration of HK\$100 is equivalent to the NAV of Suchuang Dunhua reflected in the its audited accounts as at 30 June 2021, we are of the view that the consideration for the Hong Kong Transfer is fair and reasonable insofar as the Independent Shareholders and the Company are concerned.

5. US Transfer*(i) Information of Argus Holding*

Argus Holding is a company incorporated on 4 April 2018 under the laws of the State of Delaware of the US with limited liability and a direct wholly-owned subsidiary of the Company. The Argus Group is principally engaged in investment in LNG export terminals in the Gulf of Mexico.

Set out below is the summary of the audited consolidated financial information of the Argus Group for the six months ended in 30 June 2021 as extracted from Appendix IIA to the Scheme Document:

	For the six months ended 30 June 2021 <i>(US\$'000)</i>
Revenue	15
Gross Profit	(12)
Loss before tax	(641)
Loss and total comprehensive loss for the period attributable to owners of the parent	(642)
	As at 30 June 2021 <i>(US\$'000)</i>
Equity attributable to owners of the parent	1,000

(ii) Basis of consideration

The consideration of the US Transfer of US\$1,000,000 has been determined by reference to the consolidated NAV attributable to the shareholders as reflected in the audited consolidated financial information of the Argus Group as of 30 June 2021. In addition to the consideration of US\$1,000,000, Total Honest will also repay the US Loan.

We have enquired into the Directors on the reasons to adopt NAV as the determination basis, and they advised that the Argus Group's principal asset was the investment in a convertible promissory note ("CPN") issued by G2 Net-Zero LNG LLC ("G2"), a company incorporated in Louisiana, the US. Accordingly, the Directors are of the view that it is more appropriate to determine the value of the Argus Group by its NAV.

As further advised by the Management, G2 is an energy products company based in Louisiana, the US, and is principally engaged in the development of net-zero LNG export and industrial gas production complex in Louisiana on the Calcasieu Ship Channel, three miles north of the Gulf of Mexico. Such development is still at development and/or investment stage and may take a while to develop and obtain all necessary US governmental approvals.

In order to assess the fairness and reasonableness of the basis of the consideration, we have attempted to use PER and PBR, being the two most commonly adopted valuation ratios, in our analysis. As the Argus Group reported loss attributable to owners of the parent of approximately US\$642,000 for the six months ended 30 June 2021 according to the audited consolidated financial statements set out in Appendix IIA to the Scheme Document, no earnings figure is available for the calculation of the PER for the US Transfer, therefore, the PER is considered not applicable.

For comparison on PBR, we have conducted a search of companies on the Main Board of the Stock Exchange engaging in LNG business in US, on a best effort basis. Based on the aforesaid criteria, we have identified two companies listed on the Main Board of the Stock Exchange with over 50% revenue derived from LNG business in the latest financial years, namely China LNG Group Limited (Stock code: 931) and Yuan Heng Gas Holdings Limited (Stock code: 332). However, their revenues were mainly derived from the PRC and their businesses were already in operation and not in development stage as like G2. In summary, no peer comparables could be found listed on the Main Board of the Stock Exchange for PBR.

Considering investment in the CPN was the principal asset of the Argus Group and the Argus Group was lossmaking for the period under review, we are of the view that the commonly used benchmark ratios, i.e. PBR and PER are not applicable to the Argus Group in the determination of its value, and by reference to the consolidated audited NAV of the Argus Group is fair and reasonable insofar as the Company and the Independent Shareholders are concerned.

(iii) Evaluation

In assessing the consideration for the shares in Argus Holding, i.e. the US Transfer, we have reviewed the major items reflected in the audited consolidated statement of financial position of the Argus Group as at 30 June 2021 and as mentioned above, the principal asset is the CPN maturing on 31 January 2023 valued at approximately US\$14.59 million as at 30 June 2021 (the “**Valuation**”) conducted by an independent valuer engaged by the Company. Further, we noted that the Argus Group’s consolidated NAV attributable to shareholders as at 30 June 2021 amounted to US\$1,000,000. It was also noted that the Argus Group’s major liability was an amount due to holding company amounting to approximately US\$13.73 million which was equivalent to the remaining balance of the US Loan as at 30 June 2021.

We have obtained and reviewed the valuation reports with effective date as at (i) 30 June 2021 (the valuation reflected in the Argus Group’s audited consolidated statement of financial position as at 30 June 2021); and (ii) 28 February 2022 (being the current valuation of the CPN) which is set out in Appendix IIIA to the Scheme Document, prepared by International United Consulting & Appraisal Limited (the “**Valuation Report(s)**”). In particular, we have reviewed and enquired the qualification and experience of the Valuer and its experience and noted that the person signing the Valuation Report, Mr. LIANG Li, a director of, the Valuer, is an active member of Chartered Financial Analyst and has over 12 years of valuation and corporate advisory experiences. Mr. Liang has provided various valuation services to numerous listed companies of different industries in the PRC, Hong Kong and United States, including equity valuation, purchase price allocation, intangible asset identification and valuation, goodwill and other asset impairment evaluation, convertible bond valuation and employee share option valuation. Given the Valuation is comprised of derivative element, we consider Mr. Liang possesses relevant experience for the purpose of the Valuation. We have also reviewed the engagement letter entered into between the Company and the Valuer, and noted that the scope of work was appropriate to the opinion given and there were no limitations on the scope of work which might adversely impact the degree of assurance given.

Based on the above, we are satisfied that the Valuer and Mr. Liang are qualified, experienced, competent and with the expertise in performing the valuation of the CPN and the bases and assumptions adopted by the Valuer have been made with due care and objectivity and on a reasonable basis. Accordingly, we are satisfied that reliance can be fairly placed on the valuation of the CPN made by the Valuer. The Valuer has also confirmed that (i) it is independent of the Group, the Offeror, Fung Yu and Total Honest and their respective connected persons and parties acting in concert with them; (ii) it is not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independent to act as an independent valuer for the Company; (ii) its fee is not contingent upon its conclusion of value; and

(iv) apart from normal professional fees payable to it in connection with its engagement for the Valuation, it has no other engagement with the Group, the Offeror, Fung Yu and Total Honest and their respective connected persons and parties acting in concert with them.

In accessing the value of the CPN, we have read the Valuation Reports and discussed with the Valuer on the methodology and major assumptions adopted for the Valuation for both effective dates, being 30 June 2021 and 28 February 2022.

We were advised by the Valuer that given the CPN is part of an option (i.e. convertible into shares of G2), it had considered the three generally used models to value options, namely Black-Scholes model, binomial pricing model and Monte Carlo simulation. According to the Valuer, the binomial pricing model is a more frequently adopted pricing model in determining the market value of convertible derivatives, i.e. the CPN. The Valuer has explained that Black-Scholes model is commonly adopted in valuing European options which can only be exercised on the day of expiration, while Monte Carlo simulation is a simulation that predicts different outcomes, subsequently, binomial pricing model has been adopted as it is used for the American options which option contracts that allows holders to exercise the option rights at any time before and including the day of expiration.

A number of variables were used in the binomial option pricing model for valuation of the CPN. We have read and discussed with the Valuer the basis and appropriateness in the selection of variables, which include, among others, face value of the CPN, coupon rate, expiration date, convertible element, risk-free rate, dividend payout rate, volatility and possibility of fund raising of G2. Through our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the basis and assumptions adopted for the Valuation and that the Valuation is a fair assessment of the fair value of the CPN. We were not aware of any irregularities during our interview with the Valuer.

Based on our review on the Valuation Reports as at 30 June 2021 and 28 February 2022, we noted that the fair value of the CPN as at 28 February 2022 of US\$14,988,308, had increased by US\$401,165 as compared to the valuation as at 30 June 2021 of US\$14,587,143. We had enquired the Valuer on the reason for the increase, and had been advised that it was mainly due to the increase in value of the underlying assets, the fund raising activities between the period from 30 June 2021 to 28 February 2022 and the assumptions relating to risk-free interest rate, volatility and the time to maturity of the CPN.

We have enquired the Company on the reasons for making reference to the NAV as at 30 June 2021 instead of later dates. As advised by the Company, the negotiation of the Proposal and the Transactions commenced around July 2021, and at the time of the negotiation and as at the date of the Announcement, the Company and the Offeror

considered that the financial information of the Argus Group as at 30 June 2021 was sufficiently updated. As such, the financial information of the Argus Group as at 30 June 2021 was adopted into the negotiation. Notwithstanding that the Valuation increased by US\$401,165 from 30 June 2012 to 28 February 2022, the Argus Group reported lossmaking for the six months ended 30 June 2021 and the US Transfer was part and parcel of the negotiation on the Proposal, as such, we consider that the reference to the Valuation as at 30 June 2021 as reflected in the consolidated financial statements of the Argus Group for the same period as at 30 June 2021 as reference basis is acceptable.

As mentioned above, in addition to the consideration of US\$1,000,000, Total Honest will also repay the outstanding amount of the US Loan amounting to approximately US\$13.88 million (as at the Latest Practicable Date) by offsetting the amount with the Offeror from the Total Honest Cash Cancellation Consideration. Taking into consideration that the outstanding amount of the US Loan of approximately US\$13.88 million is to be repaid on a dollar-to-dollar basis with the shareholder loan as at the Latest Practicable Date, we are of the view that the Group (excluding the Argus Group) will be financially released from such financial pressure and is in the interests of the Independent Shareholders and the Company as a whole.

We consider that the consideration of the shares in Argus Holding, in substance, has not been just based on the audited NAV attributable to the shareholders of US\$1,000,000 as at 30 June 2021 but also includes the repayment of the outstanding amount of the US Loan of approximately US\$13.88 million (based on the amount as at the Latest Practicable Date), hence, the total consideration is approximately US\$14.88 million.

Having considered the above and taking into account that the Argus Group being lossmaking, the outstanding amount of the US Loan of approximately US\$13.88 million (based on the amount as at the Latest Practicable Date) and the audited NAV attributable to the shareholders of US\$1,000,000 as at 30 June 2021 but (comprising mainly the value of the CPN), we are of the view that the aggregate consideration for the US Transfer of approximately US\$14.88 million (sum of US\$1,000,000 and approximately US\$13.88 million), are fair and reasonable and is in the interests of the Independent Shareholders and the Company as a whole.

6. Shanghai Transfer

(i) Information of Suchuang Shanghai

Suchuang Shanghai is a company incorporated in the PRC with limited liability. Suchuang Shanghai is an investment holding company and together with its subsidiaries and associated companies (the “**Suchuang Shanghai Group**”) are principally involved in the technologies of CCUS business.

As advised by the Management, the operation of CCUS officially commenced in May 2020, however the Suchuang Shanghai Group had been lossmaking for FY19 and FY20 and in net liabilities as at 30 June 2021. The business involves capture, utilisation, and storage of carbon dioxide and nitrogen from industrial waste gases generated by oil refineries, gas-fired power plants, chemical fertilizer plants, etc., with self-owned technologies. We are given to understand from the Management that as the Company needs to construct and install the fixed assets and equipment in the client's oil site, and the development of the CCUS technology involves high capital investment at the beginning. If the Proposal is not approved or the Scheme does not become effective, the Management intends to maintain the investment in the Suchuang Shanghai Group.

According to the Management, they expect CCUS in the PRC to be a profitable business in the future. They further explained that CCUS is a new technology to reduce carbon emission and is in line with the Group's strategy on promoting clean energy and environment solution.

Set out below is a summary of the audited pro-forma consolidated financial information of the Suchuang Shanghai Group (excluding Kunshan Anda) for the six months ended in 30 June 2021 as extracted from Appendix IIC to the Scheme Document:

	For the six months ended 30 June 2021 (RMB'000)
Revenue	9,276
Gross Profit	4,907
Loss before tax	(57,401)
Loss for the period attributable to owners of the parent	(57,721)
	As at 30 June 2021 (RMB'000)
Equity attributable to owners of the parent	(55,342)

(ii) Basis of consideration

The consideration of the Shanghai Transfer is nil and is determined by reference to the consolidated negative NAV of Suchuang Shanghai as reflected in the audited pro-forma financial information of the Suchuang Shanghai Group (excluding Kunshan Anda) as at 30 June 2021. In addition, the Suchuang Shanghai Loan will be repaid by Total Honest as part of the consideration and Total Honest and/or Fung Yu will provide counter-guarantee for the Xinjiang Dunhua Loan.

We have enquired into the Directors for determination basis of the consideration for the Shanghai Transfer, and they have advised that the Suchuang Shanghai Group was valued at nil as they had referenced to the Suchuang Shanghai Group's financial position and performance, being lossmaking and net liabilities as at 30 June 2021. We have reviewed the audited pro-forma financial information of the Suchuang Shanghai Group (assuming the Kunshan Transfer has completed) and noted that the Suchuang Shanghai Group recorded a loss and at net liability position as at 30 June 2021.

Given the Suchuang Shanghai Group was lossmaking for the six months ended 30 June 2021 and reported net deficit as at 30 June 2021, we are of the view that the common adopted analysis ratios, i.e. PER and PBR are not applicable. As such, we consider using the book value is appropriate to value such lossmaking and with negative NAV company.

(iii) Evaluation

In assessing the consideration for the shares in Suchuang Shanghai (i.e. the Shanghai Transfer), we had reviewed the audited pro-forma consolidated negative NAV of Suchuang Shanghai (which was prepared on the basis that as if Kunshan Anda was not consolidated by the date when Kunshan Anda was acquired by Suchuang Shanghai).

In order to evaluate the fairness and reasonableness of the basis of the consideration, we have considered to use PER and PBR in our analysis. Nevertheless, as aforementioned above, the Suchuang Shanghai Group recorded loss and at net liabilities for the six months ended 30 June 2021, therefore we are of the view that it is not suitable to apply PER and PBR to assess the basis of the consideration.

Furthermore, apart from considering the financial position, Total Honest will also repay the Suchuang Shanghai Loan being approximately RMB280.53 million as at the Latest Practicable Date by offsetting the amount with the Offeror from the Total Honest Cash Cancellation Consideration. We noted from the audited pro-forma consolidated financial statement that the amount of the Suchuang Shanghai Loan as at 30 June 2021 was equivalent to the booking value due to Taicang Natural Gas (member of the Remaining Group) of approximately RMB305.42 million (prior to the reconciliation in relation to the Kunshan Transfer) as at 30 June 2021. As advised by the Management, the outstanding amount of the Suchuang Shanghai Loan decreased from approximately RMB305.42 million as at 30 June 2021 to approximately RMB280.53 million as at the Latest Practicable Date was principally due to the repayments made by Suchuang Shanghai during the period between 11 November 2021 to 14 February 2022. Taking into consideration that the Suchuang Shanghai Loan is to be repaid on a dollar-to-dollar basis, we are of the view that the Group (excluding the Suchuang Shanghai Group) will be financially released from such financial pressure and is in the interests of the Independent Shareholders and the Company as a whole.

As for the Xinjiang Dunhua Loan, though Taicang Natural Gas (member of the Remaining Group) will continue to provide bank guarantee, such amount will be offset by the Total Honest Cash Cancellation Consideration directly by the Offeror upon the Scheme becoming effective, and Total Honest and/or Fung Yu will provide counter-guarantee in respect of the Xinjiang Dunhua Loan. We note that the Xinjiang Dunhua Loan is equivalent to the non-current interest bearing bank and other borrowings item depicted in the audited pro-forma consolidated statement of financial position of Suchuang Shanghai as at 30 June 2021 of approximately RMB47.26 million. Although the Xinjiang Dunhua Loan will remain in the accounts of the Suchuang Shanghai Group and continue to be guaranteed by Taicang Natural Gas upon Special Deal Completion, we consider that this counter-guarantee arrangement by either one of the Controlling Shareholders to be financially justifiable and beneficial to the Group upon Special Deal Completion, and fair and reasonable insofar as the Independent Shareholders and the Company are concerned.

Similar to the US Transfer, we consider that the consideration of the shares in Suchuang Shanghai, in substance, was not nil but also includes the repayment of the Suchuang Shanghai Loan of approximately RMB280.53 million as at the Latest Practicable Date, hence, the consideration is in substance, approximately RMB280.53 million.

Having considered the above, we are of the view that the aggregate consideration for the Shanghai Transfer of approximately RMB280.53 million, to be fair and reasonable and is in the interests of the Independent Shareholders and the Company as a whole.

7. Financial effect of the Special Deal Agreement

As set out in the “*Letter from the Board*” in Part IV of the Scheme Document, upon completion, the Disposal Group will cease to be subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Company:

Earnings

As advised by the Company, it is estimated that the Remaining Group will recognise a gain of approximately RMB55.34 million (before tax) as of 30 June 2021 upon Special Deal Completion. For details of the calculation, please refer to the paragraph headed

“*Financial information of the Disposal Group*” under the section headed “5. Arrangement material to the Proposal” in the “*Letter from the Board*” set out in Part IV of the Scheme Document.

NAV

As advised by the Management, the NAV of the Remaining Group is expected to improve upon Special Deal Completion and estimated increase by approximately RMB34.67 million, as a result of the disposal of the Suchuang Shanghai Group (negative NAV).

Gearing ratio

According to the Management, the Group’s gearing ratio was approximately 21.85% (being total interest-bearing bank and other borrowings divided by equity attributable to owners of the parent as extracted from the 2021 Interim Report) as at 30 June 2021. Further to the abovementioned improvement in the NAV of the Group, according to the Management, the gearing ratio of the Remaining Group is expected to decrease to approximately 15.93% upon Special Deal Completion, mainly attributable to the decrease in the Group’s bank borrowing balances as a result of deconsolidation of the bank borrowings attributable of the Disposal Group.

Shareholders should note that the aforesaid financial effects as discussed above are subject to audit and will vary on the carrying values of Suchuang Dunhua, Argus Holding and Suchuang Shanghai, as well as the financial position of the Group as at the date of Special Deal Completion.

Based on the above, we consider that the Group is expected to record a gain from the Transactions (being the Special Deals), while the net asset position and gearing of the Group are expected to improve as a result of the Transactions (being the Special Deals).

8. Section summary

In arriving our opinion and recommendation, we have taken into consideration the abovementioned principal factors and reasons for the Transactions (being the Special Deals). Moreover, we would like to draw the attention of the Independent Shareholders to the particulars as summarised below:

- the terms of the Transactions (being the Special Deals) are fair and reasonable, and the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) is in connection with the Proposal, hence facilitating the restructuring of the Group with non-core assets which are of no interests to the Offeror;

- the Remaining Group is expected to record a gain from the Transactions (being the Special Deals), and the net asset position and gearing of the Remaining Group are expected to improve as a result of the Transactions (being the Special Deals);
- the consideration for the Hong Kong Transfer of HK\$100 is determined by reference with the audited NAV as at 30 June 2021 of Suchuang Dunhua, being a company with no business or operation commenced since its incorporation;
- the consideration for the US Transfer of US\$1,000,000 is determined by reference with the audited consolidated NAV attributable to shareholders as at 30 June 2021 of Argus Holding and the principal asset of which is the CPN and Total Honest will repay the outstanding amount of the US Loan of approximately US\$13.88 million as at Latest Practicable Date, i.e. the consideration for the shares in Argus Holding, in substance is approximately US\$14.88 million (consideration basis on the NAV and the repayment of the US Loan by Total Honest); and
- the consideration for the Shanghai Transfer is determined by reference with Suchuang Shanghai's audited consolidated net liabilities attributable to owners of the parent as at 30 June 2021, i.e. no value, and Total Honest will repay the Suchuang Shanghai Loan of approximately RMB280.53 million (being the outstanding balance as at the Latest Practicable Date), as such the consideration for the shares in Suchuang Shanghai, in substance, is approximately RMB280.53 million (consideration based on the net liabilities position and the repayment of the Suchuang Shanghai Loan by Total Honest). In addition, Total Honest will provide counter-guarantee for the Xinjiang Dunhua Loan.

Based on the above analysis and opinions, we consider the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the Transactions (being the Special Deals) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and although the Transactions (being the Special Deals) are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATIONS

Based on the above analysis, we consider the terms of the Proposal (inclusive of the Scheme and the Option Offer) and the Transactions (being the Special Deals) to be fair and reasonable insofar as the Independent Shareholders (where applicable), the Disinterested Shareholders (where applicable), and the Optionholders are concerned. Accordingly, we recommend (i) the Takeovers Code IBC to advise (a) the Disinterested Shareholders to vote in favour of the relevant resolution to approve the Proposal and implement the Scheme at the Court Meeting and the General Meeting; and (b) the Optionholders to accept the Option Offer;

and (ii) the Takeovers Code IBC and the Listing Rules IBC to advise the Independent Shareholders, and we ourselves recommend the Independent Shareholders, to vote in favour of the relevant resolution to approve the Transactions (being the Special Deals) at the General Meeting.

As to whether to accept the Cash Alternative or the Share Alternative

We recommend Disinterested Shareholders (other than those sophisticated Disinterested Shareholders as mentioned below) to accept the Cash Alternative (the Cancellation Price of HK\$2.50 per Scheme Share) and not to take the Share Alternative, which we consider to be more suitable for sophisticated Disinterested Shareholders who have knowledge and experience in investing as minority shareholders of privately held companies. In our opinion, only those Disinterested Shareholders who are optimistic about the future prospects and profitability of the Remaining Group and have carefully studied the specific features of the Share Alternative and the associated risks of holding HoldCo Shares (as discussed in the section above headed “A. *Principal factors and reasons considered for the Proposal – 5. Share Alternative and HoldCo*”), should consider taking the Share Alternative.

Yours faithfully,
for and on behalf of

Essence Corporate Finance (Hong Kong) Limited
Mazy Chan
Director
Corporate Finance

Ms. Mazy Chan is a licensed person and responsible officer of Essence registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry.

* *For identification purposes only*

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (as revised).

1. INTRODUCTION

On 25 August 2021, the Offeror and the Company jointly announced that on 16 August 2021, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the take-private of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. Upon completion of the Proposal, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative) and the listing of the Shares will be withdrawn from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, one new Share will be allotted and issued to the Offeror and the issued share capital of the Company will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal and to provide Scheme Shareholders with additional information in relation to the Proposal.

2. TERMS OF THE PROPOSAL

Cancellation Consideration

The Proposal is implemented by way of the Scheme. The Scheme provides that, if it becomes effective, the Scheme Shares will be cancelled in exchange for either:

- (a) the **Cash Alternative**: cash of HK\$2.50 for every Scheme Share; or
- (b) the **Share Alternative**: one New Share for every Scheme Share.

The Scheme Shareholders may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Effective Date (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make any election or whose elections are invalid (by choosing both the Cash Alternative and the Share Alternative or choosing the Share Alternative but failing to provide the KYC Documents required) will

receive the Cash Alternative. Scheme Shareholders who wish to elect the Share Alternative must lodge KYC Documents as detailed in the section headed “The Share Alternative” below. Scheme Shareholders who choose the Share Alternative will not be required to sign any other agreement.

Single Consideration Election Measure

As each investor should only be able to elect one form of the Cancellation Consideration, Account Holders whose all or some Scheme Shares are deposited in CCASS should note the measure as set out in this section (the “**Single Consideration Election Measure**”). The purpose of such measure is to identify the Beneficial Owners who are electing for the Share Alternative and to eliminate such investors who have elected for both the Cash Alternative and Share Alternative from receiving the Share Alternative.

Requirement to file Account Holder Form if Shares are held through CCASS

Save as otherwise provided in this Scheme Document or in the Account Holder Form, an Account Holder who holds all or part of the Scheme Shares which such Account Holder is interested in through CCASS and wishes to elect for the Share Alternative in respect of all the Scheme Shares which such Account Holder hold or is (or, if the Account Holder is a nominee or custodian, a Beneficial Owner is) interested in as at 17 June 2022 (the “**Confirmation Date**”) must, in respect of such Scheme Shares held through CCASS:

- submit his/her/its election instruction to the CCASS Participant(s) through which he/she/it holds his/her/its Scheme Shares on or before such time as notified by his/her/its CCASS Participant(s) (the “**Relevant CCASS Participants**”) for the purpose of electing the Share Alternative; and
- complete, sign and return, no later than 4:30 p.m. on 28 June 2022 (the “**Form Cut-off Time**”), both: (i) a copy of the Account Holder Form to the Company’s Share Registrar by email to is-suchuang_election@hk.tricorglobal.com with the Relevant CCASS Participants being copied in the same email; and (ii) the original of the Account Holder Form to the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

The Account Holder Form will be despatched to Shareholders together with this Scheme Document, and you may also download the Account Holder Form from the website of the Company at <http://www.suchuanggas.com/> and complete a print-out version of the Account Holder Form (or any Continuation Pages) for submission to the Company’s Share Registrar.

No acknowledgement of receipt of any Account Holder Form will be given by the Share Registrar to the Account Holders.

An Account Holder Form which is completed and delivered by an Account Holder shall be irrevocable and incapable of being amended, withdrawn or revoked unless (i) the Offeror expressly consents to such amendment, withdrawal or revocation and (ii) the Account Holder

subsequently completes and submits a new Account Holder Form to the Offeror before the Form Cut-off Time, in which case the new Account Holder Form will supersede any Account Holder Form previously submitted by the Account Holder.

Who is an Account Holder?

An Account Holder who is required to sign the Account Holder Form if it wishes to elect to accept the Share Alternative in respect of ALL the Scheme Shares which such Account Holder is (or, if the Account Holder is a nominee or custodian, the Beneficial Owner for whom such Account Holder acts is) interested in as stated above would be:

- (a) a person who has directly maintained an account (or accounts) with CCASS Participant(s) to hold Scheme Shares which such person (or if such person is a nominee or custodian, a Beneficial Owner) is interested in; and/or
- (b) a person who is interested in such Scheme Shares as a CCASS Investor Participant.

If you are a Beneficial Owner with all or some Scheme Shares that you are interested in deposited in CCASS but an Account Holder is acting as the nominee or custodian of the Scheme Shares on your behalf, you should contact your Account Holder to complete the Account Holder Form for your benefit, and you are not eligible to complete the Account Holder Form.

Who will be eligible to receive the Share Alternative?

Assuming the Scheme becomes effective in accordance with its terms, save as otherwise provided in this Scheme Document or the Account Holder Form, a Scheme Shareholder or an Account Holder (each an “investor”) will receive Share Alternative for the Scheme Shares held by such investor (or if such Account Holder is acting as a nominee or custodian, the Beneficial Owner) ONLY if:

- (a) if any of the Scheme Shares are held in CCASS:
 - the Account Holder has validly completed and returned the Account Holder Form according to the instructions in this Scheme Document and the Account Holder Form;
 - the election instruction(s) have been passed by the Relevant CCASS Participant(s) to HKSCC Nominees, and a valid Election Form including the said election instruction(s) have been submitted by HKSCC Nominees in accordance with the terms of the Proposal as set out in this Scheme Document;

- (b) if any of the Scheme Shares are held by a Scheme Shareholder outside CCASS, the Scheme Shareholder has validly completed and returned an Election Form, and if the Scheme Shareholder elects the Share Alternative, the KYC Documents of the Scheme Shareholder having been provided; and
- (c) (i) if the investor is not acting as a nominee or custodian in respect of such Scheme Shares which is holding through CCASS, the investor has elected Share Alternative in respect of all the Scheme Shares held by such investor, and (ii) if the investor is acting as a nominee or custodian in respect of such Scheme Shares which is held through CCASS, the Beneficial Owner for whom such investor is acting has elected Share Alternative in respect of all the Scheme Shares which the Beneficial Owner is interested in.

The Company will conduct a shareholder identification exercise pursuant to its power under section 329 of the SFO. The result of such exercise will be shared with the Offeror in the form of a report (the “**S.329 Report**”). If, having considered the S.329 Report, the relevant Account Holder Form and other relevant information such as the register of members of the Company, the Offeror believes (i) any Scheme Shareholder or Account Holder (or the Beneficial Owner holding Scheme Shares through an Account Holder) has not elected the Share Alternative in respect of all of the Scheme Shares held by it, (ii) the procedures set out in the instructions of the Account Holder Form or the instructions in respect of the Single Consideration Election Measure have not been complied with, or (iii) any information contained in the Account Holder Form (including any of the representations made by an Account Holder in paragraph 6 of the Account Holder Form) is inaccurate, the Offeror has absolute discretion to reject the election for Share Alternative, in which case the Scheme Shareholder, the Account Holder or the Beneficial Owner (as the case may be) will be deemed to have made an election for Cash Alternative in respect of all the Scheme Shares held by it. Any decision of the Offeror in this regard shall be final and binding.

A Scheme Shareholder or an Account Holder may be required by the Offeror to provide such additional information or documentary evidence for the purpose of confirming that such Scheme Shareholder, Account Holder or any Beneficial Owner has elected Share Alternative in respect of all the Scheme Shares held.

Scheme Shareholders and Account Holders are reminded that you should elect for the Share Alternative in respect of all the Scheme Shares which you hold or are (or which the Beneficial Owner for whom you act is) interested in as at the Confirmation Date (in respect of Scheme Shares held through CCASS) and the Scheme Record Date (in respect of Scheme Shares not held through CCASS). If your actual shareholding as at the Confirmation Date and/or the Scheme Record Date (as appropriate) is different from that stated in your submitted Account Holder Form, you are reminded to submit a new Account Holder Form to the Share Registrar before the Form Cut-off Time. Failure to do so may invalidate your election for Share Alternative.

The Offeror and the Share Registrar will use reasonable endeavour to contact the relevant Account Holder if they are aware of any clerical error in an Account Holder Form which has been submitted to the Share Registrar, with a view to the Account Holder correcting the same before the Form Cut-off Time. Account Holders should note that it is their responsibility to ensure that the requirement of the Single Consideration Election Measure has been complied with, including that the Account Holder has to validly complete and return the Account Holder Form according to the instructions in this Scheme Document and the Account Holder Form before the Form Cut-off Time, and none of the Offeror, the Company, CICC, the Share Registrar or any of their advisers or agents will be responsible for the Account Holder's failure in making a valid election for the Share Alternative.

The Offeror reserves the right and has the sole final discretion to determine whether the requirements relating to a valid election for Share Alternative have been satisfied in respect of any Scheme Shareholder, Account Holder or Scheme Shares, or waive any procedural or documentation requirement in respect of an election (based on such information as it may alternatively possess, receive or collect).

If you have any questions concerning the procedures required in connection with the Single Consideration Election Measure as set out above, please call the hotline of the Share Registrar, Tricor Investor Services Limited, at +852 2980 1333 between 9:00 a.m. and 4:30 p.m. on Monday to Friday, excluding public holidays in Hong Kong.

The implementation of the Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the section headed "4. Conditions to the Proposal and the Scheme" below.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the amount or value of such net dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced (and the price of the Option Offer shall be reduced accordingly). The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date. As at the Latest Practicable Date, the Company has no declared but unpaid dividends.

The HoldCo has been established for the purpose of the Proposal. The HoldCo has one share in issue. The actual number of New Shares to be issued under the Share Alternative will be determined after the latest time for the election of the Cash Alternative or the Share Alternative. Assuming (i) the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) elect (or give instruction to elect) the Cash Alternative pursuant to the Controlling Shareholders Irrevocable Undertaking, the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority

Shareholders Irrevocable Undertakings; and (ii) no Outstanding Share Options were exercised before the Option Record Date, if all the other Scheme Shareholders elect the Share Alternative, 452,190,000 New Shares will be issued, representing approximately 99.99% of the enlarged issued shares of the HoldCo after issuance of the New Shares upon completion of the Proposal. The Company will be owned by the Offeror and HoldCo as to 49.93% and 50.07%, respectively. One HoldCo share held by the Offeror will then be repurchased and cancelled by HoldCo upon the Scheme becoming effective.

No fractions of a cent will be payable and the amount of cash consideration payable to the Scheme Shareholders who have elected the Cash Alternative or the Optionholders who have accepted the Option Offer will be rounded up to the nearest cent. Fractions of New Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

The Cash Alternative

The cash consideration of HK\$2.50 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 2.88% over the closing price of HK\$2.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.15% over the average closing price of approximately HK\$2.03 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 25.63% over the average closing price of approximately HK\$1.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 26.26% over the average closing price of approximately HK\$1.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 23.76% over the average closing price of approximately HK\$2.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 30.21% over the audited net asset value per Share attributable to the Shareholders in the Company of approximately HK\$1.92 as at 31 December 2020, based on the total number of issued Shares as at 31 December 2020 and the exchange rate of HK\$1.00 to RMB0.84164 as quoted by the People's Bank of China on 31 December 2020;

- a premium of approximately 96.85% over the unaudited net asset value per Share attributable to the Shareholders in the Company of approximately HK\$1.27 as at 30 June 2021, based on the total number of issued Shares as at 30 June 2021 and the exchange rate of HK\$1.00 to RMB0.83208 as quoted by the People's Bank of China on 30 June 2021; and
- a premium of approximately 3.31% over the closing price of HK\$2.42 per Share as quoted on the Stock Exchange on 24 September 2021 (being the last trading day of the Shares immediately before the suspension of trading in the Shares since 27 September 2021).

Highest and lowest prices

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.43 on 13 August 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.92 on 14 May 2021.

During the twelve-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.02 on 14 August 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.77 on 2 February 2021.

In the paragraphs above headed “The Cash Alternative” and “Highest and lowest prices”, the historical closing prices per Share mentioned as quoted on the Stock Exchange were obtained from the website of the Stock Exchange (<https://www.hkex.com.hk/>) on the Last Trading Day, and thus have been adjusted for corporate actions and entitlement events including special dividends based on adjustment methods adopted by the Stock Exchange. Please refer to the website of the Stock Exchange for the adjustment method of historical securities prices.

The Cancellation Price had been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other take-private transactions in Hong Kong in recent years.

The Share Alternative

The HoldCo Shares are shares of a business company incorporated in the British Virgin Islands which is an unlisted, investment holding company with limited liability. Before the Scheme becomes effective, the Offeror is and will continue to be the sole shareholder of HoldCo, legally and beneficially owning one HoldCo Share.

The actual number of New Shares to be issued under the Share Alternative will be determined after the latest time for the election of the Cash Alternative or the Share Alternative. Fractions of New Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

Following the Effective Date, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative), and the value of the HoldCo Shares will primarily be determined by the value of the Scheme Shares, with an announced price of HK\$2.50 per Share under the Cash Alternative. Details of the estimate of value of the HoldCo Shares are set out in Appendix VII to this Scheme Document.

According to clause 15.2 of the Share Option Scheme, if during the exercise period of the Share Options an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Act and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the grantees may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise their Share Options to their full extent or the extent specified in such notice. As at the Latest Practicable Date, the exercise of all the Outstanding Share Options in full would result in the issue of 50,250,000 new Shares (representing approximately 5.56% of the issued share capital of the Company as at the Latest Practicable Date) and approximately 5.27% of the issued share capital of the Company as enlarged by the issue of such new Shares.

The New Shares to be issued pursuant to the Proposal will be issued free from all Encumbrances, credited as fully paid up and will rank *pari passu* with the existing HoldCo Shares at the date of issue.

Together with the lodging of a duly completed and executed Election Form, if a Scheme Shareholder wishes to elect the Share Alternative, such Scheme Shareholder must also lodge the KYC Documents to comply with the relevant anti-money laundering requirements of the British Virgin Islands (which shall be in English or accompanied by an English translation which is certified as a true translation). The Offeror and the Company reserve the discretion to request for additional evidence or documents as may be required for the purpose of complying with the relevant anti-money laundering requirements of the British Virgin Islands.

The HoldCo

After completion of the Proposal, the board of HoldCo will consist of three directors. A director of HoldCo may be removed by ordinary resolution, provided that any such ordinary resolution of a duly constituted general meeting of HoldCo must be passed by a simple majority of the votes cast by, or on behalf of, the shareholders of HoldCo entitled to vote in favour of the resolution.

Before the Scheme becomes effective, the board of HoldCo consists of three directors, namely Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe. Mr. Ge Bin is also a director of CR Gas and Mr. Li Xiaoshuang is also a director of the Offeror. After the completion of the Proposal and there being any Scheme Shareholder accepting the Proposal and validly electing the Share Alternative, Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe will resign from the directorship of the HoldCo, HoldCo will hold an extraordinary general meeting at which Scheme Shareholders choosing the Share Alternative will elect new directors, and the one HoldCo Share held by the Offeror will be repurchased and cancelled by HoldCo.

After completion of the Proposal, as the Company will only have two shareholders i.e. the Offeror and HoldCo, and the Company will cease to be listed on the Stock Exchange. The rights of the Offeror and HoldCo as shareholders of the Company would then be governed by the Companies Act and other applicable laws of the Cayman Islands and the memorandum and articles of association of the Company.

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and section 4.2 of the Introduction to Takeovers Code provides that in order to determine whether a company is a public company in Hong Kong, the Executive will take into account the number of Hong Kong shareholders and the extent of share trading in Hong Kong and other factors. If HoldCo is determined by the Executive to be a “public company in Hong Kong”, HoldCo will be subject to the Takeovers Code.

A copy of the memorandum and articles of association of HoldCo will be available for inspection as a document on display at the time of despatch of this Scheme Document.

The Company (following the Effective Date)

Following the Effective Date, the Company will be owned by the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative).

The shareholders of the Company are entitled to receive notice of general meetings of the Company and shall have the right to one vote per Share at such meetings. There is no dividend policy and no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Shares. Payment of dividends (if any) is dependent solely on whether such payment is recommended or declared by the board of the Company.

The shareholders of the Company would have their rights and obligations in relation to the Company governed by the provisions of the memorandum and articles of association of the Company, the provisions of the Companies Act (as amended, supplemented or otherwise modified from time to time) and other applicable laws in the Cayman Islands. The Company shall, on receipt of an instrument of transfer, enter the name of the transferee of the Shares in the register of shareholders in accordance with and subject to the provisions of its articles of association.

After completion of the Proposal, the board of the Company will consist of no less than 2 and no more than 10 directors. A director of the Company may be removed by ordinary resolution, provided that any such ordinary resolution of a duly constituted general meeting of the Company must be passed by a simple majority of the votes cast by, or on behalf of, the shareholders of the Company entitled to vote in favour of the resolution.

After completion of the Proposal, the Directors may call a general meeting of the shareholders of the Company at any time. The Directors must also call a general meeting if a requisition in writing is given by one or more shareholders of the Company who together hold at least 10% of the rights to vote at such general meeting. Should the Directors fail to call a general meeting within 21 clear days from the date of receipt of a requisition, the requisitioners or any of them may call a general meeting within three months after the end of that period.

After completion of the Proposal, pursuant to the articles of association of the Company, a special resolution may be passed by at least 75% of its shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given or in writing by all of the shareholders entitled to vote at a general meeting. Matters requiring the authority of a special resolution include:

- (1) changing the name of the Company;
- (2) amending the memorandum or articles of association of the Company;
- (3) reducing the share capital of the Company;
- (4) varying the redemption rights attached to a class of Shares;
- (5) to the extent allowed by the Companies Act, validating any prior or future act of the Directors which would otherwise be in breach of their duties;
- (6) to the extent permitted by law, releasing any existing or former director (including alternate director), secretary or other officer of the Company from liability for any loss, damage or right to compensation relating to their offices;
- (7) resolving to be registered by way of continuation in a jurisdiction outside the Cayman Islands; and
- (8) if the Company is wound up, allowing the liquidator to either divide the whole or any part of the assets of the Company in specie, value any assets and determine how the division shall be carried out; or to vest the whole or any part of the assets of the Company in trustees.

A copy of the memorandum and articles of association of the Company will be available for inspection as a document on display at the time of despatch of this Scheme Document.

Risk factors of electing the Share Alternative

Investors should be aware of, among other things but not limited to, the following risk factors of holding HoldCo Shares and indirect ownership of the Company (after the Company is delisted) through HoldCo:

- HoldCo Shares and the Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules;
- HoldCo Shares and the Shares are illiquid, hence the shareholders of HoldCo and the Company may find it more difficult to find a purchaser for the HoldCo Shares and the Shares respectively if they intend to sell their shares, as there is less likely a ready market for HoldCo Shares and the Shares;

- there is no guarantee that any dividend payments will be paid in respect of HoldCo Shares or the Shares;
- it is proposed that HoldCo will not have any assets or liabilities other than the Shares of the Company. HoldCo does not intend to engage in any business other than acting as the holding company of the new Shares of the Company issued to it under the Share Alternative after completion of the Proposal;
- changes in the business and economic environment could adversely affect the operating profits of HoldCo or the Company or the value of HoldCo's assets or the Company's assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to HoldCo's or the Company's operational risks; and
- general business risks associated with the natural gas industry including but not limited to:
 - (1) the concession for the operation of the natural gas business will expire or may be terminated before expiration;
 - (2) PetroChina and Sinopec are currently the principal natural gas suppliers to the Company and any instability in, shortages of or disruption to the supply of natural gas to the Company from PetroChina and Sinopec could significantly and adversely affect the Company's business. The Company may also face shortage of natural gas in the PRC as a whole;
 - (3) the Company cannot give any assurances that the take-or-pay obligation will not be enforced, and the obligations of the Company's customers under existing customer contracts may not correspond to the obligations under the agreement with PetroChina and Sinopec;
 - (4) the Company's business is affected by risk of fluctuations in prices for natural gas, including fluctuations arising from the PRC government's price control regime for natural gas and pipeline construction and any shortage of natural gas supply;
 - (5) the Company's business and operation results depend heavily on the economic and social conditions and prosperity of Taicang and its neighboring regions;
 - (6) the Company requires various licences and permits to commence, operate and expand its piped natural gas supply operation. Any failure to obtain or renew any or all of these licences and permits and any enforcement action taken against the Company for non-compliance incident may materially and adversely affect the Company's business and expansion plans;

- (7) the Company may not have adequate insurance to cover all hazards common to the natural gas industry which the Company's operations are subject;
- (8) increase in costs of raw materials for the Company's pipeline construction and connection business may affect the Company's business, financial condition and operating results;
- (9) there may be unauthorized alteration of the Company's gas meters which affect our measuring and fee collection for its sale of piped natural gas; and
- (10) the Company places reliance on pipelines in its operation and engage third party to undertake pipeline construction work.

The Option Offer

As at the Latest Practicable Date, there are 50,250,000 Outstanding Share Options granted under the Share Option Scheme, of which 16,500,000 Share Options had an exercise price of HK\$2.00, 19,250,000 Share Options had an exercise price of HK\$2.28 and 14,500,000 Share Options had an exercise price of HK\$3.06. The Company will not grant any further Share Options under the Share Option Scheme before the Long Stop Date.

The Offeror is making (or procuring to be made on its behalf) an appropriate offer to all the holders of the Outstanding Share Options, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering holders of the Outstanding Share Options the "see-through" price (being the Cash Alternative minus the relevant exercise price in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Share Option in accordance with Rule 13 of the Takeovers Code. Where the exercise price of the relevant Share Option under the Option Offer exceeds HK\$2.50, the "see-through" price is zero and a cash offer of a nominal amount of HK\$0.0001 per Share Option is being made.

Exercise price per Share Option	"See-through" price (HK\$)	Number of Outstanding Share Options
HK\$2.00	0.50	16,500,000
HK\$2.28	0.22	19,250,000
HK\$3.06	0.0001	14,500,000

As at the Latest Practicable Date, save as disclosed in the section headed "11. Shareholding Structure of the Company and Scheme Shares" below, the Offeror and the Offeror Concert Parties did not hold any Share Options.

The Option Offer Letter to holders of Share Options setting out the terms and conditions of the Option Offer is being despatched separately to holders of Share Options and is substantially in the form set out in “Appendix XI – Form of Option Offer Letter” to this Scheme Document.

If any of the Outstanding Share Options is exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Option Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme.

According to clause 15.2 of the Share Option Scheme, if during the exercise period of the Share Options an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Act and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the grantees may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise their Share Options to their full extent or the extent specified in such notice.

According to clause 15.4 of the Share Option Scheme, upon the occurrence of any of the events referred to in clause 15.2 of the Share Option Scheme, notice of that event and the effect thereof shall be given by the Company to all the grantees as soon as reasonably practicable.

According to clause 11.1(f) of the Share Option Scheme, the Share Options shall lapse (to the extent not already exercised), in the case of clause 15.2 of the Share Option Scheme, on the expiry of the 21-day period stated therein, provided that the Scheme becomes effective. The lapse of any Share Option(s) in accordance with clause 15.2 of the Share Option Scheme shall not impact the operation and validity of the Option Offer and the entitlement of the Optionholders to receive the Option Offer Price from the Offeror in respect of any valid acceptance of the Option Offer.

The Option Offer is extended to all Share Options in issue on the date on which the Option Offer is made. Each Optionholder as at the Option Record Date who accepts the Option Offer and lodges a completed Form of Acceptance by the prescribed deadline set out in “Part III – Expected Timetable” of this Scheme Document will be entitled to receive the Option Offer Price as set out in the relevant Option Offer Letter that is sent to each holder of Share Options individually, notwithstanding the lapse of the Share Options on the expiry of the 21-day period under clause 15.2 of the Share Option Scheme (provided the Scheme becomes effective). All payments in respect of the Option Offer Price will be made in Hong Kong dollars. Settlement of the Option Offer Price to which the holders of Share Options are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer and subject to the terms of the Share Option Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such holder of Share Options.

As at the Latest Practicable Date, (i) all Share Options with an exercise price of HK\$2.00, 19,250,000 Share Options with an exercise price of HK\$2.28 and 11,600,000 Share Options with an exercise price of HK\$3.06, respectively, were vested; and (ii) 2,900,000 Share Options with an exercise price of HK\$3.06 were unvested.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES CONFIRMATION

On the assumption that (a) all Scheme Shareholders elect the Cash Alternative, (b)(i) all Outstanding Share Options as at the Option Record Date were exercised and all the Optionholders of such Share Options become Scheme Shareholders on or before the Scheme Record Date and elect the Cash Alternatives, and (ii) no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal would be approximately HK\$2,388,710,000.

The Offeror intends to finance the entire cash amount required for the Proposal and the Option Offer by intra-group financing from its controlling shareholder, China Resources (Holdings) Company Limited. The payment of interest on, repayment of or security for any liability (contingent or otherwise) in respect of the said intra-group financing will not depend to any significant extent on the business of the Company.

CICC, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

4. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following:

- (1) the reporting, filing, registration or approval, as applicable and to the extent required, with or by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the PRC or its delegate on the Offeror's acquisition of shares of the Company under the Proposal;
- (2) in the PRC, with respect to the Proposal and the Scheme or its implementation, the Offeror having received antitrust approval from the State Administration for Market Regulation on terms satisfactory to the Offeror, or the statutory review period pursuant to the Anti-Monopoly Law, including any extension of such period, has lapsed;
- (3) the approval of the Scheme (by way of a poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (4) in relation to the Scheme:
- (a) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Shares that are voted either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares;
- (5) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative) of such number of new Shares as is equal to the number of Scheme Shares cancelled; and to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares, credited as fully paid, for issuance to the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative);
- (6) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (7) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company;
- (8) the conditions precedent to the Special Deal Agreement having been satisfied (or waived, where applicable);
- (9) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification. As at the Latest Practicable Date, save for Conditions (1), (2), (3), (4), (5), (6) and (7), the

Company is not aware of any authorisations, approvals, permissions, waivers, consents, registrations or filings that is required for the implementation of the Proposal or the Scheme taking effect;

- (10) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (11) since the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal;
- (12) the Shares remaining listed and traded on the Stock Exchange up to the Effective Date save for any temporary suspension(s) of trading of the Shares as a result of the Proposal and the Scheme or for any temporary suspension(s) of trading of the Shares of not more than seven days and no indication being received on or before the Effective Date from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (13) since the date of the last audited consolidated financial statements of the Company, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Company or any member of the Group, whether or not arising in the ordinary course of business; and
- (14) no material breach of any covenants, representations and warranties given by IU Shareholders in favour of the Offeror under the Irrevocable Undertakings.

The Offeror reserves the right to waive Conditions (9), (10), (11), (12), (13) and (14) either in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or its implementation in accordance with its terms illegal. Conditions (1), (2), (3), (4), (5), (6), (7) and (8) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree) or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions. As of the Latest Practicable Date, except for Conditions (1) and (2) which have been fulfilled, all the other Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the other Conditions had been waived.

Trading of the Shares on the Stock Exchange has been suspended since 27 September 2021 up to the Latest Practicable Date. However, the Company was informed by the Offeror that, on the basis that (i) the Proposal as amended and supplemented by the transactions referred to in the section headed “5. Irrevocable Undertakings from the IU Shareholders – Supplemental Agreements” below can be implemented; and (ii) there being no new event or further development which may have any adverse impact on, among other things, the Group or the Scheme, the Offeror intends to waive Condition (12).

When all the Conditions are satisfied or waived (as applicable), the order of the Grand Court sanctioning the Scheme may be delivered to the Registrar of Companies in the Cayman Islands at which point the Scheme will become effective and binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting. If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company.

As at the Latest Practicable Date, except for Conditions (1) and (2) which have been fulfilled, all the other Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the other Conditions had been waived.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 12 July 2022 (Cayman Islands time). Further announcements will be made including in particular in relation to (i) the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, (ii) the result of the hearing of the petition for the sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme by the Grand Court, (iii) the Scheme Record Date, (iv) the Effective Date and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in “Part III – Expected Timetable” of this Scheme Document.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal, the Scheme and the Option Offer are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not be implemented. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

5. IRREVOCABLE UNDERTAKINGS OF THE IU SHAREHOLDERS

On 25 August 2021, the Offeror received an Irrevocable Undertaking from each of the IU Shareholders (comprising the Controlling Shareholders, Dazhong (Hong Kong), Shanghai Dazhong and Action East), pursuant to which (i) each of the IU Shareholders has undertaken to, amongst other things, exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable), insofar as is permitted under the applicable laws and regulations and (ii) for the Controlling Shareholders, elect the Cash Alternative only as the form of Cancellation Consideration for the cancellation of Shares held or owned by it. The 675,068,000 Shares held by the IU Shareholders which are the subject of the Irrevocable Undertakings represent approximately 74.75% of the total issued share capital of the Company as at the Latest Practicable Date.

Apart from the above undertakings, the Controlling Shareholders and Action East have provided the following additional undertakings to the Offeror:

Controlling Shareholders Irrevocable Undertaking

Special Deal Agreement

The Controlling Shareholders have undertaken to procure the parties to the Special Deal Agreement to execute the contemplated transactions pursuant to the terms and conditions thereof and strictly comply with the terms and conditions thereof. Details of the Special Deal Agreement are disclosed in the section headed “7. Arrangement Material to the Proposal – Special Deal Agreement and Connected Transactions” in this Explanatory Memorandum.

In connection with the Special Deal Agreement, the Controlling Shareholders have irrevocably undertaken to the Offeror that they shall, and shall cause their associates (as defined under the Listing Rules):

- (a) not to, and not to agree to, make any amendments to the Special Deal Agreement except with the prior written consent of the Offeror;

- (b) to use reasonable endeavors to perform all transactions contemplated under the Special Deal Agreement and to strictly comply with the terms and conditions of the Special Deal Agreement;
- (c) to use reasonable endeavors to procure the Company, Suchuang Hong Kong, Taicang Natural Gas, Suchuang Shanghai and Argus Holding to perform all transactions contemplated under the Special Deal Agreement and to strictly comply with the terms and conditions contained therein;
- (d) to use reasonable endeavors to procure Ernst & Young to issue the audited consolidated financial statements for Suchuang Dunhua, Suchuang Shanghai and Argus Holding in accordance with the International Financial Reporting Standards as soon as practicable;
- (e) under the Special Deal Agreement, on the premises that the Special Deal Completion has taken place, Total Honest will not make any claims against the Company and Suchuang Hong Kong, however any party to the Special Deal Agreement is entitled to make a claim against the other party in breach of the terms therein for the transactions under the Special Deal Agreement; under the Special Deal Agreement, on the premises that the Special Deal Completion has taken place, Suchuang Shanghai will not make any claims against Taicang Natural Gas, however any party to the Special Deal Agreement is entitled to make a claim against the other party in breach of the terms therein for the transactions under the Special Deal Agreement;
- (f) before the Scheme becomes effective, is terminated, lapses or is withdrawn, to ensure and procure Xinjiang Dunhua to strictly comply with the Loan Agreement and all relevant contractual agreements with the Kuqa Branch of Agricultural Development Bank of China and not to commit any breach of contracts, and to strictly comply with the equity pledge(s) provided to Taicang Natural Gas in respect of Xinjiang Dunhua's subsidiaries and associated companies;
- (g) to procure the Board to approve resolutions on all documents relating to the Special Deals, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;
- (h) to procure the Company to effectively convene general meetings of Shareholders in accordance with the Takeovers Code, the Listing Rules and the memorandum and articles of association of the Company so that resolutions relating to the Special Deals can be considered by way of poll, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;
- (i) to procure the Company's compliance with all relevant laws or regulations (including the Listing Rules and the Takeovers Code) with respect to the Special Deals, to the extent permitted by relevant laws and the memorandum and articles of association of the Company;

- (j) for the purposes of the equity/share transfers contemplated under the Special Deal Agreement:
 - i. to procure Suchuang Hong Kong's agreement that the consideration for the shares in Suchuang Shanghai shall be received by the Company on its behalf through offsetting the Total Honest Cash Cancellation Consideration;
 - ii. Total Honest agrees that the consideration payable by Total Honest for the equity/share transfers under the Special Deal Agreement shall be set off against the Total Honest Cash Cancellation Consideration; and
 - iii. Total Honest gives written instruction to the Offeror to deduct from the Total Honest Cash Cancellation Consideration in accordance with the terms of the Irrevocable Undertaking and Special Deal Agreement and arrange payment to the Company on behalf of Total Honest as instructed,

- (k) Fung Yu (if applicable) and Total Honest thereby issue a written instruction requiring the Offeror to first deduct the payable from the Total Honest Cash Cancellation Consideration and Fung Yu Cash Cancellation Consideration (if applicable) and pay and retain the amounts on behalf of Total Honest and Fung Yu (if applicable) as instructed pursuant to the Special Deal Agreement and the Controlling Shareholders Irrevocable Undertaking. The remaining balance (if any), will be paid by the Offeror to Total Honest and Fung Yu (if applicable) in accordance with the terms and conditions of the Scheme, the Controlling Shareholders Irrevocable Undertaking and the Special Deal Agreement.

Representations and Warranties

Customary representations and warranties in relation to the operations and financial conditions of the Group (excluding the Disposal Group) have been given by the Controlling Shareholders in favour of the Offeror under the Controlling Shareholders Irrevocable Undertaking.

Pre-completion Undertaking

The Controlling Shareholders have irrevocably undertaken that, during the period between the date of the Controlling Shareholders Irrevocable Undertaking and the Effective Date or the date when the Scheme lapses or is withdrawn (whichever is earlier), the Company and each member of the Group shall continue to operate in the same manner as before, and no member of the Group, without the written consent of the Offeror, shall commit to or do or permit certain matters as stipulated in the Controlling Shareholders Irrevocable Undertaking to occur, except where arrangements were agreed prior to the signing of the Controlling Shareholders Irrevocable Undertaking and have been notified in writing to the Offeror.

The Controlling Shareholders have irrevocably undertaken to use reasonable endeavors, through exercising the voting rights attached to the Shares of the Company held by them and through those who are the executive Directors (subject to complying with their duties as directors of the Company) exercising their Board rights:

- (a) to assist any candidate nominated by the Offeror to be validly nominated and appointed as a Director of the Company on the Effective Date (on the premises that the effectiveness of such appointment is subject to the completion of the Proposal), subject to compliance with (i) relevant laws or regulations (including the Listing Rules and the Takeovers Code) and the endorsement of such candidate by the Stock Exchange and other relevant regulatory authorities, and (ii) the maximum number of Directors as permitted by the articles of association of the Company;
- (b) that at the written request of the Offeror, to assist the incumbent executive Directors in resigning from office within the earliest time frame required or permitted by the Executive (or under any exemption) (and to use reasonable endeavours in obtaining the approval of the requisite Board resolutions), on the premises that the resignation of such Directors is subject to completion of the Proposal, or if the Controlling Shareholders agree that the foregoing shall not take effect prior to completion of the Proposal; and to take any reasonable actions to provide assistance to the person resigning as a Director such that he/she submits to the Offeror a letter of resignation in the form of a deed addressed to the Company or the relevant members of the Group in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters;
- (c) to facilitate the appointment of any candidate nominated by the Offeror as a director of Taicang Natural Gas and/or any of its subsidiaries on the Effective Date, on the premises that the effectiveness of such appointment is subject to completion of the Proposal and subject to compliance with (i) relevant laws or regulations (including the Listing Rules and the Takeovers Code) and (ii) the circumstances permitted by the articles of association of the companies concerned;
- (d) upon the written request of the Offeror, to assist the incumbent directors and supervisors of Taicang Natural Gas and each of (i) Sichuan Guangyuan Licheng Gas Co., Ltd. (四川廣元里程燃氣有限責任公司), (ii) Changshu City Suyu Natural Gas Transmission Co., Ltd. (常熟市蘇虞天然氣輸配有限公司), (iii) Jiangsu Tengxu, (iv) Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), (v) Taicang Zhongcheng Port Construction Co., Ltd. (太倉市翠城港口建設有限公司), (vi) Suzhou Chuanghua Energy Technology Co., Ltd. (蘇州市創華能源科技公司), (vii) Nantong Suyou Gas and (viii) Taicang Sucheng Natural Gas Transmission and Distribution Co., Ltd. (太倉市蘇城天然氣輸配有限公司) who were appointed by Taicang Natural Gas in resigning from office within the earliest time frame required or permitted by the Executive (or under any exemption) (and to obtain the approval of the requisite board resolutions), on the premises that the resignation of such directors and supervisors is subject to completion of the Proposal, or if the

Controlling Shareholders agree that the foregoing shall not take effect prior to completion of the Proposal, and to take any reasonable actions to assist that the person resigning as a director or supervisor in submitting to the companies concerned a letter of resignation in the form of a deed addressed to the Company or the relevant members of the Company in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters; and

- (e) to assist Taicang Natural Gas and/or its subsidiaries:
 - i. on the premises that the daily operation of Taicang Natural Gas and/or its subsidiaries would not be affected and that any cost incurred would be borne by the Offeror, to grant the representatives of the Offeror the relevant rights to enter into and to observe the operation at the business premises of Taicang Natural Gas from the date of the Controlling Shareholders Irrevocable Undertaking until the Effective Date or the date when the Scheme is lapsed or withdrawn, or the date when the Scheme or Proposal fails to be approved at the Court Meeting and the General Meeting or was not sanctioned by the Grand Court; and
 - ii. from the Announcement Date up to the Effective Date, to obtain the consent of the representatives of the Offeror prior to making major decisions, such as the appointment and removal of executive-level personnel, any change of the organizational structure of the Group, investment and financing activities, borrowing or providing guarantees.

Change of Group Management

The Controlling Shareholders have irrevocably undertaken to the Offeror that on the Effective Date:

- (a) to provide with the Offeror with information and items pursuant to the terms of the Controlling Shareholders Irrevocable Undertaking;
- (b) to procure the executive Directors to resign from office (and to procure the approval of the requisite board resolutions); and to take any reasonable actions to ensure that the person resigning as a director submits to the Company a letter of resignation in the form of a deed addressed to the Company in which he/she confirms that he/she has no outstanding claims against the members of the Group for compensation or other matters; and
- (c) to procure the general manager(s) (in each case appointed by the Controlling Shareholders) of (i) Taicang Natural Gas, (ii) Jiangsu Tengxu, (iii) Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), (iv) Taicang Zhongcheng Port Construction Co., Ltd. (太倉市眾城港口建設有限公司), (v)

Nantong Suyou Gas and (vi) Taicang Sucheng Natural Gas Transmission and Distribution Co., Ltd. (太倉市蘇城天然氣輸配有限公司) to resign from office, and to take any reasonable actions to ensure that the person resigning as a general manager submits to the companies concerned a letter of resignation in the form of a deed addressed to the respective company in which he/she confirms that he has no outstanding claims against the members of the Group for compensation or other matters; and the Offeror to appoint new general manager of the abovementioned companies.

Subject to the above, the Offeror plans to maintain the relative stability in the existing management of Taicang Natural Gas, Kunshan Anda and their respective subsidiaries and to maintain their respective positions (for the avoidance of doubt, not meaning duties) and their salary level within one year after the completion of the Proposal.

Restrictions on business activities of the Controlling Shareholders

The Controlling Shareholders have irrevocably undertaken to the Offeror that they shall not, and shall cause their associates not to, for themselves, as agents or on behalf of any others:

- (a) disclose to any person or make use of any confidential information (other than any information which has been properly disclosed publicly under a court order or by a stock exchange or other regulatory authorities) concerning information, merchandise, finances, contractual arrangements, business or operation modes of any members of the Group (excluding the Disposal Group), its customers and suppliers; or
- (b) solicit or induce, or attempt to solicit or induce executives, managers, consultants or employees of any members of the Group (excluding the Disposal Group) (whether or not their departure would be in breach of an employee or service contract or its equivalent) within one year from the Effective Date.

Exclusivity

The Controlling Shareholders have irrevocably undertaken:

- (a) not to accept any other equity/share transfers, offers and take-private proposals of other companies other than the Scheme;
- (b) not to breach the relevant terms in the Controlling Shareholders Irrevocable Undertaking in relation to voting of the resolutions of the Proposal at the Court Meeting and the General Meeting; and
- (c) not to cause the Special Deals not to be completed in accordance with the Special Deal Agreement due to reasons of Total Honest, Fung Yu or Suchuang Shanghai,

within six months (which is subsequently extended to 12 months, please refer to the sub-section headed “Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings” below) from the date of the Controlling Shareholders Irrevocable Undertaking, whether or not the Scheme becomes effective.

In the event of any breach by the Controlling Shareholders of these undertakings, the Controlling Shareholders shall be liable for 5% of each of the Fung Yu Cash Cancellation Consideration and Total Honest Cash Cancellation Consideration as liquidated damages to the Offeror.

Action East Deed of Consent and Waiver

Under a deed of consent and waiver dated 25 August 2021, Action East has unconditionally and irrevocably agreed and confirmed that it will (without any charge, fee or consideration):

- (i) waive and release the right of first refusal and co-sale right as the only remaining surviving rights under the shareholders’ agreement in respect of the Company dated 26 February 2014 and entered into, by Mr. Su Aping, Ms. Zhu Yaying, the Company, Action East and Fung Yu, due to the irrevocable undertaking given by, Mr. Su Aping, Ms. Zhu Yaying, Fung Yu and Total Honest in favour of the Offeror in support of the Proposal, the acceptance of the offer proposed by the Offeror under the Proposal by Fung Yu and Total Honest and/or the implementation of the Proposal; and
- (ii) conditional upon the completion of the Proposal, exercise the option to terminate the said right of first refusal and co-sale right.

The Irrevocable Undertakings, being binding irrevocable undertakings, will terminate and the above obligations of the IU Shareholders under the Irrevocable Undertakings will cease to be binding if the Scheme does not become effective, lapses, is terminated or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time. The long stop date of the Irrevocable Undertakings was 15 March 2022 (which was extended to 31 August 2022 pursuant to the relevant Supplemental Agreements).

Supplemental Agreements

Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking

On 22 February 2022, the Offeror and the Controlling Shareholders have entered into the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, pursuant to which the Controlling Shareholders and the Offeror have agreed to amend certain terms of the Controlling Shareholders Irrevocable Undertaking.

Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings

Pursuant to the terms and conditions of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, each of the Controlling Shareholders has irrevocably undertaken to the Offeror that, among other things:–

- (a) the Controlling Shareholders will fully indemnify the Group and the Offeror against the Relevant Liabilities;
- (b) the Offeror may, upon the Scheme becoming effective, retain the entire amount of the Fung Yu Cash Cancellation Consideration and the Total Honest Cash Consideration (including the deductions to be made in accordance with the Controlling Shareholders Irrevocable Undertaking) to account for losses arising from the Relevant Liabilities in accordance with the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, subject to the Offeror's release of an amount equal to Fung Yu's existing debt (as disclosed to the Offeror), where such debt is secured by Fung Yu's shareholding in the Company;
- (c) the Offeror may apply (i) the sums retained as referred to in paragraph (b) above, and (ii) the amounts retained by the Offeror under the Minority IU Shareholders Irrevocable Undertakings (please see below the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings"), to set-off the Controlling Shareholders' Liabilities;
- (d) the arrangement set out above does not affect the repayment obligation by Suchuang Shanghai for the Suchuang Shanghai Loan. Prior to the full discharge of the Controlling Shareholders' Liabilities, the Company would not need to (and the Offeror would not need to procure the Company to) repay any amount retained by the Company to Total Honest upon Suchuang Shanghai's repayment of any amount to Taicang Natural Gas under the Suchuang Shanghai Loan (for details of the Suchuang Shanghai Loan, please refer to paragraph (b) of the section headed "7. Arrangement Material to the Proposal – Intra-group loans arrangement" below); and
- (e) in respect of the Xinjiang Dunhua Loan (for details of the Xinjiang Dunhua Loan, please refer to paragraph (c) of the section headed "7. Arrangement Material to the Proposal – Intra-group loans arrangement" below), notwithstanding the Offeror's obligation under the Controlling Shareholders Irrevocable Undertaking to release a relevant amount retained from the Total Honest Cash Cancellation Consideration upon (i) Total Honest and/or Fung Yu providing counter-guarantees to the satisfaction of the Offeror; or (ii) the guarantee for the Xinjiang Dunhua Loan being released (the amount to be released being the amount of counter-guarantees provided

under (i) and/or the amount of the guarantee released under (ii), as the case may be), the Controlling Shareholders agree that the Offeror would not need to release any such amounts retained before the Controlling Shareholders' Liabilities had been discharged in full.

Further, the Controlling Shareholders and the Offeror have agreed that (i) the Long Stop Date under the Controlling Shareholders Irrevocable Undertaking (being 15 March 2022) shall be extended to 31 August 2022; and (ii) the exclusivity period of the Proposal shall be extended from six months to 12 months from the date of the Controlling Shareholders Irrevocable Undertaking.

In view of the undertakings given by the Controlling Shareholders under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, the Offeror agrees to return any remaining balance of the Total Honest Cash Cancellation Consideration, Fung Yu Cash Cancellation Consideration and Minority IU Shareholders Cancellation Consideration within a month of the satisfaction of each of the following: (i) the Controlling Shareholders having fully discharged the Controlling Shareholders' Liabilities; (ii) the full repayment of the Suchuang Shanghai Loan; (iii) the guarantee provided by Taicang Natural Gas for the Xinjiang Dunhua Loan is released in full; (iv) the obligations, of the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders, under the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings (please see below the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings"), and the obligations of the parties to the Transfer Agreements and the Assignment and Set-off Agreement, respectively, have been satisfied in full, there is no breach on the part of the Controlling Shareholders, the Minority IU Shareholders, and/or the Entrustment Minority Shareholders thereunder, and no investigations, claims or penalties against the Offeror, its associates or the Group have arisen therefrom; and (v) the Scheme having become effective for three years.

Waivers

Subject to (i) the Controlling Shareholders having fully satisfied the obligations and undertakings under the Controlling Shareholders Irrevocable Undertaking (apart from breaches arising from the Relevant Liabilities in such nature or type and quantum disclosed in the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking as at the date of the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking ("**Relevant Breaches**")) and the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, (ii) the Minority IU Shareholders and the Entrustment Minority Shareholders having fully satisfied the obligations and undertakings under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively, (iii) parties to the Transfer Agreements and the Assignment and Set-off Agreement having fully satisfied their obligations and performed the Transfer Agreements and the Assignment and Set-off Agreement, (iv) there have not been any claims,

complaints or demands filed by any person against the Offeror or its associates in respect of the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings, the Transfer Agreements and the Assignment and Set-off Agreement initiated by any persons and there have not been any disputes, challenges, claims or other actions in connection with the transactions contemplated thereunder, and (v) the Scheme becoming effective and the successful delisting of the Company, the Offeror has agreed to waive and release the Controlling Shareholders over and to the extent of the Relevant Breaches relating to the Relevant Liabilities under the Controlling Shareholders Irrevocable Undertaking, unless the quantum, nature or type of the subsequent payables or liabilities exceeds the amount of Relevant Liabilities agreed under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, in which case the Offeror reserves its rights to claim against the Controlling Shareholders.

Conditions Precedent

The Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking is subject to the following conditions precedent:–

- (a) each of Fung Yu and Total Honest (together with the relevant parties) duly executes the Deeds of Mortgage and Assignment and the Custodian Agreements relating to all the issued shares of the Company beneficially owned by them and the delivery to the Offeror of the duly signed Deeds of Mortgage and Assignment together with the ancillary documents thereunder (except for the document(s) to be signed by the Offeror) and the Custodian Agreements;
- (b) the Minority IU Shareholders and the Entrustment Minority Shareholders duly execute the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively, and the conditions precedent under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings entered into by the Minority IU Shareholders and the Entrustment Minority Shareholders are fully satisfied (or waived in accordance with the relevant terms by the Offeror), and the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings becoming effective; and
- (c) the Entrustment Minority Shareholders duly execute the Pledge Documents and the Pledge Documents becoming effective.

The conditions precedent set out above have been fulfilled.

Unless otherwise stated in the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking (principal terms of which are set out above), all the other terms in the Controlling Shareholders Irrevocable Undertaking remain unchanged.

Supplemental Agreement to Action East Irrevocable Undertaking and Supplemental Agreement to Dazhong Irrevocable Undertaking

On 14 March 2022, each of (1) Dazhong (Hong Kong) and Shanghai Dazhong and (2) Action East (being part of the IU Shareholders) have entered into a supplemental agreement to their respective Irrevocable Undertakings with the Offeror, pursuant to which the long stop date of each of these Irrevocable Undertakings was extended from 15 March 2022 to 31 August 2022.

Unless otherwise stated in the relevant Supplemental Agreements, all the other terms in these Irrevocable Undertakings remain unchanged.

Information about the IU Shareholders

As at the Latest Practicable Date, the information about the IU Shareholders are as follows:

Fung Yu

Fung Yu is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Wen and Ms. Su Yi are three of the several eligible beneficiaries. The principal activity of Fung Yu is investment holding.

Total Honest

Total Honest is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. The principal activity of Total Honest is investment holding.

Dazhong Group

Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong Public Utilities (Group) Co., Ltd., the A shares of which are listed on the Shanghai Stock Exchange with stock code 600635 and the H shares of which are listed on the Stock Exchange with stock code 1635.

Action East

Action East is indirectly wholly owned by Prax Capital Prax Capital is a limited partnership established in the Cayman Islands whose sole general partner is Prax Capital China Growth Fund III GP, Ltd., a limited liability company incorporated in the Cayman Islands.

None of the IU Shareholders own or control any shareholding in the Offeror. None of the non-exempt discretionary fund managers and principal traders falling under category (iii) of paragraph 4 of Schedule I to the Takeovers Code have any shareholding in each of the Offeror and the Company.

6. MINORITY IU SHAREHOLDERS IRREVOCABLE UNDERTAKINGS AND ENTRUSTMENT MINORITY SHAREHOLDERS IRREVOCABLE UNDERTAKINGS

On 22 February 2022, the Offeror entered into the following:

- (a) the Minority IU Shareholders Irrevocable Undertakings with the Minority IU Shareholders, pursuant to which each of the Minority IU Shareholders has agreed to provide certain irrevocable undertakings to the Offeror subject to the terms and conditions in the Minority IU Shareholders Irrevocable Undertakings; and
- (b) the Entrustment Minority Shareholders Irrevocable Undertakings with the Entrustment Minority Shareholders pursuant to which each of the Entrustment Minority Shareholders has agreed to provide certain irrevocable undertakings to the Offeror subject to the terms and conditions in the Entrustment Minority Shareholders Irrevocable Undertakings.

Based on public information available to the Company on the Latest Practicable Date, Shanghai Honglida, one of the Entrustment Minority Shareholders, controls an entity which holds 12.5% of the shares in one of the Borrowers referred to in the Inside Information Announcements, being Taicang Suchuang, and such Borrower holds 90% interest in Shanghai Pudong Gas Development Co.,. Further, as at the Latest Practicable Date, the Entrustment Minority Shareholders together are interested in 22,398,000 Shares (representing approximately 2.48% of all issued Shares) under two separate trusts established pursuant to the Trust Agreements with Hwabao, a Qualified Domestic Institutional Investor (QDII).

The table below sets out the Shares held by the Minority IU Shareholders and the Shares that the Entrustment Minority Shareholders are interested in as of the Latest Practicable Date:

Minority IU Shareholders	Number of Shares held	Approximate percentage of the issued Shares
Jade Deluxe Holdings Limited (<i>Note 1</i>)	32,542,000	3.60%
Fairy Wealth Investments Limited (<i>Note 2</i>)	21,978,000	2.43%

Minority IU Shareholders	Number of Shares held	Approximate percentage of the issued Shares
Kiska International Inc.	17,086,000	1.89%
Zhang Hong (張紅) (Note 3)	8,222,000	0.91%
Zhou Jinming (周錦明)	4,122,000	0.46%
Xiang Liwen (項麗雯)	3,786,000	0.42%
Gu Chongquan (顧重泉)	422,000	0.05%
He Xueping (何學萍)	410,000	0.05%
Hu Yong (胡湧)	382,000	0.04%
Ding Bingyuan (丁炳元)	324,000	0.04%
Wang Juan (王娟)	300,000	0.03%
Zhao Weiliang (趙偉良) (Note 2)	228,000	0.03%
Gong Yuju (龔玉菊)	184,000	0.02%
Gao Beifei (高蓓飛)	174,000	0.02%
Gao Siyuan (高思源)	174,000	0.02%
Zhao Yibi (趙一璧) (Note 1)	170,000	0.02%
Jia Meifeng (賈美豐)	158,000	0.02%
Huang Jianfen (黃建芬)	150,000	0.02%
Aggregate number of Shares held by the Minority IU Shareholders	90,812,000	10.06%
Entrustment Minority Shareholders		
Shanghai Honglida Industrial Co., Ltd.* (上海弘 力達實業有限公司)	16,198,000	1.79%
Ji Xian (吉嫻)	6,200,000	0.69%
Aggregate number of Shares that the Entrustment Minority Shareholders are interested in	22,398,000	2.48%
Total	113,210,000	12.54%

1. Zhao Yibi is the sole director of Jade Deluxe Holdings Limited.
2. Fairy Wealth Investments Limited is wholly owned by Merry Talent International Limited, which is in turn wholly owned by Zhao Weiliang, who is also the sole director of Fairy Wealth Investments Limited.
3. 8,220,000 Shares out of 8,222,000 Shares held by Zhang Hong are subject to the relevant Minority IU Shareholders Irrevocable Undertaking.

None of the Minority IU Shareholders and/or Entrustment Minority Shareholders are connected persons of Company.

Irrevocable Undertakings

Pursuant to the terms and conditions of the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, each of the Minority IU Shareholders and the Entrustment Minority Shareholders has irrevocably undertaken to the Offeror to, amongst other things:–

- (a) exercise (or procure the exercise of) all voting rights attached to the Minority IU Shareholders Shares (or an interest in the Entrustment Minority Shareholders Shares respectively) held or owned by them at the Court Meeting and the General Meeting in favour of all the resolutions to approve the Proposal and/or the withdrawal of listing and any matters in connection with the Proposal and/or the withdrawal of listing (where applicable), insofar as is permitted under the applicable laws and regulations; and
- (b) elect (or procure the election of) the Cash Alternative only as the form of Cancellation Consideration for the cancellation of the Minority IU Shareholders Shares (or an interest in the Entrustment Minority Shareholders Shares) respectively held or owned by the Minority IU Shareholder and the Entrustment Minority Shareholder.

As at the Latest Practicable Date, 90,812,000 Shares in aggregate are held or owned by the Minority IU Shareholders, and the Entrustment Minority Shareholders are interested in 22,398,000 Shares.

Further, each of the Minority IU Shareholders has irrevocably undertaken to the Offeror that, the Offeror shall be entitled to retain the cash consideration receivable by each of the Minority IU Shareholders, respectively, payable under the Scheme in connection with the Minority IU Shareholders Shares owned or held by the Minority IU Shareholders under the Cash Alternative.

In respect of the Minority IU Shareholders, the deduction of the Minority IU Shareholders Cancellation Consideration by the Offeror is subject to the Offeror's release of amounts equal to the Minority IU Shareholders' Existing Debt as disclosed to the Offeror, the Offeror shall be entitled to retain the Minority IU Shareholders Cancellation Consideration, net of the Minority IU Shareholders' Existing Debt, to set off against the Controlling Shareholders' Liabilities.

In respect of the Entrustment Minority Shareholders, pending the execution of the Transfer Agreements and the Assignment and Set-off Agreement (please see the section headed "Transfer Agreements and Assignment and Set-off Agreement" below) by the parties thereto (which is expected to be immediately after the Scheme becoming effective), the Offeror is entitled to retain the cash consideration to be paid by the Offeror under the Scheme, being approximately HK\$56 million at the Cancellation Price of HK\$2.50 per Share.

Termination

The Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, will terminate (save for the surviving provisions as specified under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively) and the above obligations of the Minority IU Shareholders under the Minority IU Shareholders Irrevocable Undertakings and of the Entrustment Minority Shareholders under the Entrustment Minority Shareholders Irrevocable Undertakings, will cease to be binding if the Scheme does not become effective, lapses, is terminated or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time, or the Scheme does not become effective in accordance with its terms on or before 31 August 2022 (or any other date as agreed by parties in writing), or any resolutions for the Scheme and/or the withdrawal of listing and any matters in connection with the Scheme and/or the withdrawal of listing is not approved in the General Meeting, the Court Meeting or by the Grand Court. The long stop date for the Scheme becoming effective under the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings is 31 August 2022 (being the same as the amended long stop date as mentioned in the section headed “Supplemental Agreements – Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings” above).

Conditions Precedent

The Minority IU Shareholders Irrevocable Undertakings are subject to, as a condition precedent, each of the Minority IU Shareholders having duly executed the Minority IU Shareholders Deed(s) of Mortgage and Assignment and the Minority IU Shareholders Custodian Agreement(s) and having delivered to the Offeror the duly signed Minority IU Shareholders Deed(s) of Mortgage and Assignment together with the ancillary documents thereunder and the Minority IU Shareholders Custodian Agreement(s) (except for the document(s) to be signed by the Offeror).

The Entrustment Minority Shareholders Irrevocable Undertakings are subject to, as a condition precedent, each of the Entrustment Minority Shareholders having duly executed the Pledge Document, respectively, and having delivered the Pledge Documents to the Offeror.

The conditions precedent to the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings have been fulfilled.

Loan between Minority IU Shareholders and Controlling Shareholders

In connection with, and to account for, the Minority IU Shareholders’ financial position under the Minority IU Shareholders Irrevocable Undertakings and Minority IU Shareholders Deeds of Mortgage and Assignment, each of the Minority IU Shareholders have entered into the relevant Minority IU Shareholders Loan Agreement with the Controlling Shareholders, respectively pursuant to which the Controlling Shareholders agree to repay each of the

Minority IU Shareholders a sum that is equivalent to the Cancellation Consideration of HK\$2.5 per Share under the Cash Alternative that the Minority IU Shareholders would, but for the terms of the Minority IU Shareholders Irrevocable Undertakings, have received upon the Scheme becoming effective less any amount of Minority IU Shareholders' Existing Debt that was released by the Offeror (the "**Minority IU Shareholders Loans**"). The Minority IU Shareholders Loans are unsecured, interest-free and repayable upon demand by the Minority IU Shareholders, save that (i) a demand may not be made until the Controlling Shareholders have paid the Offeror the amounts prescribed under the Controlling Shareholders Irrevocable Undertaking and the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking, and (ii) no repayment may be made to the Minority IU Shareholders before the Cancellation Consideration under the Scheme is paid to the other Shareholders.

TRANSFER AGREEMENTS AND ASSIGNMENT AND SET-OFF AGREEMENT

As of the Latest Practicable Date, the Refunds due from Zhejiang Xinrun, a supplier of the Group, to Nantong Suyou Gas amount to approximately RMB55.48 million.

Under the Entrustment Minority Shareholders Irrevocable Undertakings, the Entrustment Minority Shareholders agree that immediately after the Scheme becomes effective, the Entrustment Minority Shareholders will enter into the Transfer Agreements, and the Assignment and Set-off Agreement.

Terms of the Transfer Agreements and Assignment and Set-off Agreement

Under the terms of the Transfer Agreements, Shanghai Honglida and Ji Xian agree to the Assignment in consideration of RMB25.65 million and RMB9.81 million respectively (collectively, the "**Consideration**"), payments of which cannot be made by Zhejiang Xinrun until the Cancellation Consideration under the Scheme is paid to the other Shareholders. The transfer prices per Share under the Transfer Agreements entered into by each of the Entrustment Minority Shareholders are the same, being approximately RMB1.58 (equivalent to approximately HK\$1.95) and RMB1.58 (equivalent to approximately HK\$1.95), respectively.

Under the terms of the Assignment and Set-off Agreement, Taicang Natural Gas shall procure Nantong Suyou Gas to assign to it a part of the Refunds in an amount equivalent to such Cancellation Price for the 22,398,000 Shares after deduction of all necessary expenses and taxes, Taicang Natural Gas will offset and release Zhejiang Xinrun from the part of the Refund assigned to Taicang Natural Gas from Nantong Suyou Gas, and Zhejiang Xinrun will pay the Entrustment Minority Shareholders an amount equal to the difference between such Cancellation Price and the Consideration.

Any amount payable by Zhejiang Xinrun to the Entrustment Minority Shareholders under the Transfer Agreements and Assignment and Set-off Agreement (including the Consideration) is treated as a loan due from Zhejiang Xinrun to the Entrustment Minority Shareholders (the "**Entrustment Minority Shareholders Loans**"). It is intended that the Entrustment Minority

Shareholders Loans are interest-free and are repayable on demand, save that no repayment, including settlement of the Consideration, may be made to the Entrustment Minority Shareholders before the Cancellation Consideration under the Scheme is paid to the other Shareholders.

Upon completion of the Scheme, Taicang Natural Gas is expected to receive the Cancellation Consideration of approximately RMB43.60 million (net of the necessary expenses and taxes) (or in the amount of HK\$55,995,000 (before deduction of the necessary taxes and expenses)).

If the Scheme becomes effective, the Entrustment Minority Shareholders would receive from Zhejiang Xinrun the Entrustment Minority Shareholders Loans in the amount of HK\$55,995,000 (before deduction of the necessary taxes and expenses) (or approximately RMB43.60 million (net of the necessary expenses and taxes)) under the Transfer Agreements and Assignment and Set-off Agreement, which is a sum that is equivalent to the Cancellation Consideration of HK\$2.5 per Share for the cancellation of 22,398,000 Shares held through the Trust Arrangements that the Entrustment Minority Shareholders would have received in the absence of the Transfer Agreements and Assignment and Set-off Agreement.

TAKEOVERS CODE IMPLICATION

The terms of the Supplemental Arrangements do not offer the Minority IU Shareholders and the Entrustment Minority Shareholders a more favourable treatment against other Shareholders. The Supplemental Arrangements do not provide any more favourable terms or conditions to the Minority IU Shareholders and the Entrustment Minority Shareholders as compared to those offered to other Shareholders under the Scheme, and the Minority IU Shareholders and the Entrustment Minority Shareholders will not receive any amount pursuant to the Supplemental Arrangements ahead of any other Shareholder pursuant to the Scheme.

Save for the amount that is equivalent to the Cancellation Consideration that is payable to the Minority IU Shareholders (and the relevant creditors to the Minority IU Shareholders' Existing Debt) and the Entrustment Minority Shareholders (being the (i) Minority IU Shareholders' Existing Debt and Minority IU Shareholders Loans and (ii) the Entrustment Minority Shareholders Loans (including the Consideration), respectively), none of the Minority IU Shareholders nor the Entrustment Minority Shareholders will receive any other consideration, compensation or benefit in any form under the Scheme and the Supplemental Arrangements.

As a result of (i) the Minority IU Shareholders entering into the Minority IU Shareholders Irrevocable Undertakings; and (ii) the Entrustment Minority Shareholders entering into the Entrustment Minority Shareholders Irrevocable Undertakings, the Transfer Agreements and the Assignment and Set-off Agreement (and in each case, the transactions described thereunder), each of the Minority IU Shareholders, the Entrustment Minority Shareholders and Hwabao (in its capacity as a trustee for the Entrustment Minority Shareholders) are presumed to be acting in concert with the Offeror under Class (9) of the definition of "acting in concert" under the

Takeovers Code. In total, the Minority IU Shareholders and (prior to completion of the Transfer Agreements) the Entrustment Minority Shareholders (through Hwabao as a trustee) own or are interested in 113,210,000 Shares, representing approximately 12.54% of the total issued Shares as at the Latest Practicable Date.

As members of the Offeror Concert Parties, the votes of the Minority IU Shareholders and Hwabao (in its capacity as trustee for the Entrustment Minority Shareholders) (alongside those of the Controlling Shareholders) at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (4)(a) and (b) described under the section headed “4. Conditions to the Proposal and the Scheme” in this Explanatory Memorandum (as required under Rule 2.10 of the Takeovers Code) are satisfied, but will be counted as votes of Scheme Shareholders in determining whether the requirement under Condition (3) in the section headed “4. Conditions to the Proposal and the Scheme” in this Explanatory Memorandum (as required under the Companies Act) is satisfied. Besides Fung Yu, Total Honest, the Minority IU Shareholders and Hwabao (as a trustee), there are no Offeror Concert Parties who hold Shares as at the Latest Practicable Date.

Save for the Irrevocable Undertakings, the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme or to elect the Share Alternative or the Cash Alternative had been received by the Offeror or the Offeror Concert Parties, as at the Latest Practicable Date.

7. ARRANGEMENT MATERIAL TO THE PROPOSAL

Special Deal Agreement and Connected Transactions

In connection with the Proposal, the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas entered into the Special Deal Agreement on 25 August 2021 pursuant to which the parties agreed to purchase and sell certain subsidiaries of the Company and to settle certain intra-group loans.

Upon the Scheme becoming effective, it is expected that the Special Deal Completion will take place within seven days thereafter. Under the Controlling Shareholders Irrevocable Undertaking, the Controlling Shareholders have given written instructions to the Offeror to transfer part of the Total Honest Cash Cancellation Consideration and the Fung Yu Cash Cancellation Consideration in accordance with the arrangements set out below to the Company and its respective subsidiaries accordingly which will be held in escrow by the Company pending the Special Deal Completion, the remainder will be paid to Total Honest and Fung Yu (please, however, refer to the arrangements subsequently entered into between the Company and Controlling Shareholders under the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking as mentioned in the section headed “5. Irrevocable Undertakings of the IU Shareholders – Amendment to the Controlling Shareholders Irrevocable Undertaking and further irrevocable undertakings” in this Explanatory Memorandum).

Pursuant to the terms and conditions of the Special Deal Agreement:–

- (a) the Company and Total Honest have agreed to the Hong Kong Transfer;
- (b) the Company and Total Honest have agreed to the US Transfer;
- (c) Suchuang Hong Kong and Total Honest have agreed to the Shanghai Transfer; and
- (d) Suchuang Shanghai and Taicang Natural Gas have agreed to the Kunshan Transfer.

Hong Kong Transfer, US Transfer and Shanghai Transfer constitute disposals of the Group's assets to the Controlling Shareholders, and they are therefore special deals under Note 4 of Rule 25 of the Takeovers Code. As Kunshan Transfer is an intra-group transfer of the Group, it does not constitute a special deal under Rule 25 of the Takeovers Code. As the Hong Kong Transfer, US Transfer and Shanghai Transfer are not offered to all Shareholders, they require the consent of the Executive under Note 4 to Rule 25 of the Takeovers Code. The Offeror has made an application to seek consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable and (ii) the approval of the Special Deal Agreement by the Independent Shareholders by way of poll at the General Meeting.

Upon the Special Deal Completion, the Disposal Group will be wholly owned by Total Honest, and accordingly will cease to be the subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated with the Group's financial statements.

Disposal Group Transfer Consideration

Transfer	Consideration ^(Note 1)
Hong Kong Transfer	HK\$100
US Transfer	US\$1,000,000
Shanghai Transfer	Nil
Total	<u><u>RMB6,472,883</u></u> ^(Note 2)

Note 1: In addition to the expected consideration payable for the transfer of the Disposal Group, it is also agreed under the Special Deal Agreement that the Suchuang Shanghai Loan and the US Loan would be settled by Total Honest, therefore:

- in addition to the consideration payable for the US Transfer, Total Honest will also repay the remaining balance of the US Loan, being approximately US\$13.88 million as at the Latest Practicable Date; and

- in addition to the consideration payable for the Shanghai Transfer, the remaining balance of the Suchuang Shanghai Loan, being approximately RMB280.53 million as at the Latest Practicable Date, will be partially offset by the Kunshan Anda Loan and the consideration for the Kunshan Transfer, and partially be repaid by Total Honest and Suchuang Shanghai.

Please refer to the section headed “7. Arrangement Material to the Proposal – Special Deal Agreement and Connected Transactions – Intra-group loans arrangement” in this Explanatory Memorandum for further details.

Note 2: The total amount is calculated using the exchange rates of HK\$1.00 = RMB0.83104 and US\$1.00 = RMB6.4728.

The above considerations have been determined by reference to the net asset value and consolidated net asset value attributable to the shareholders as reflected in the audited financial statements and audited consolidated financial statements as of 30 June 2021 for Suchuang Dunhua and Argus Holding respectively, and the audited pro-forma consolidated financial statements of Suchuang Shanghai as of 30 June 2021. The consideration for the transfers will be further adjusted in accordance with paragraph below.

The Company, Suchuang Hong Kong and Total Honest agree that the considerations for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer set out in the Special Deal Agreement shall be adjusted based on the net asset value and consolidated net asset values attributable to the shareholders in the audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and audited pro-forma consolidated financial statements of Suchuang Shanghai as at 30 June 2021 prepared by the auditors in accordance with the International Financial Reporting Standards (as set out in Appendix IIA, Appendix IIB and Appendix IIC to this Scheme Document, respectively). Further, the Company, Suchuang Hong Kong and Total Honest agree that the adjusted consideration payable by Total Honest to the Company and Suchuang Hong Kong for the Hong Kong Transfer, US Transfer and Shanghai Transfer shall be directly offset by the Total Honest Cash Cancellation Consideration. In calculating the consideration of Shanghai Transfer, it is assumed that the Kunshan Transfer has been completed and the impact of Kunshan Anda on Suchuang Shanghai will not be considered. If the net asset values attributable to the shareholders as set out in the respective audited financial statements as at 30 June 2021 (prepared in accordance with the International Financial Reporting Standards) of Argus Holding, Suchuang Shanghai or Suchuang Dunhua are negative, the consideration for the relevant transfer is zero.

Based on the audited reports of the Disposal Group as set out in Appendices IIA, IIB and IIC, no adjustment is required in respect of the consideration for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer.

Kunshan Transfer Consideration

As agreed between Suchuang Shanghai and Taicang Natural Gas, the consideration for the Kunshan Transfer is RMB104,400,000. Suchuang Shanghai and Taicang Natural Gas agree that the consideration for the Kunshan Transfer is offset by the Suchuang Shanghai Loan. After the aforementioned offset arrangement, Suchuang Shanghai shall be deemed to have repaid a portion of the Suchuang Shanghai Loan equivalent to the consideration of the Kunshan Transfer. Taicang Natural Gas shall not be required to pay the consideration for the Kunshan Transfer by way of cash.

Intra-group loans arrangement

In relation to the intra-group loans between the Company and the Disposal Group, Taicang Natural Gas, Suchuang Shanghai and Total Honest have agreed that:–

- (a) the Kunshan Loan of RMB1.03 million (being the amount as reflected in the audited accounts of Suchuang Shanghai as of 30 June 2021) shall be assigned by Suchuang Shanghai to Taicang Natural Gas to offset part of the Suchuang Shanghai Loan. After offsetting the Suchuang Shanghai Loan with the assignment of the Kunshan Loan and the Kunshan Transfer Consideration, the balance of the Suchuang Shanghai Loan is RMB199.97 million (based on the outstanding amount as of 30 June 2021);
- (b) the remaining balance of the Suchuang Shanghai Loan shall be repaid by way of the following:–
 - (i) part of the loan in the amount of RMB138 million will be directly deducted by the Offeror from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective, and transmitted by the Offeror to the Company and retained by the Company until Suchuang Shanghai repays the remaining amount to Taicang Natural Gas. Accordingly, under the Controlling Shareholders Irrevocable Undertaking, Total Honest has given written instructions to the Offeror to deduct the amount directly from Total Honest Cash Cancellation Consideration and pay the amount for the Company to retain, and the Offeror will procure the Company to repay the equivalent amount based on the agreed exchange rate to Total Honest within seven days of the repayment by Suchuang Shanghai to Taicang Natural Gas;
 - (ii) the remaining portion of the Suchuang Shanghai Loan (approximately RMB38.04 million, based on the amounts outstanding under the Kunshan Loan and Suchuang Shanghai Loan as of the Latest Practicable Date) shall be repaid by Suchuang Shanghai within two years from the date of Special Deal Completion and the Offeror agrees to extend the repayment deadline to three years from the date of Special Deal Completion if such portion cannot be repaid within two years, while Suchuang Shanghai shall pledge its equity

interest in all existing or future subsidiaries and associated companies of Suchuang Shanghai in favour of Taicang Natural Gas as security for the repayment of the remaining loan;

- (iii) prior to full repayment of the Suchuang Shanghai Loan, if Suchuang Shanghai disposes of equity interest in any subsidiaries or associated companies or if Suchuang Shanghai dispose of any assets, Suchuang Shanghai shall first obtain the written consent of Taicang Natural Gas and shall pay the corresponding consideration to Taicang Natural Gas to which Suchuang Shanghai is entitled (excluding the relevant taxes, if any) for the repayment of the loan;
- (c) the Offeror will directly withhold an amount equal to the guarantee provided by Taicang Natural Gas to Kuqa Branch of Agricultural Development Bank of China for the Xinjiang Dunhua Loan from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective. The amount withheld will be paid by the Offeror to Total Honest in the event that (i) Total Honest and/or Fung Yu provides counter-guarantees to the satisfaction of the Offeror; or (ii) the guarantee for the Xinjiang Dunhua Loan is released. In the event that the Xinjiang Dunhua Loan is repaid and Total Honest provides relevant valid proof of payment to the Offeror, then the Offeror shall within seven days thereafter reduce the counter-guarantees provided by Total Honest and/or Fung Yu by the amount repaid; and
- (d) the US Loan will be directly deducted by the Offeror from the Total Honest Cash Cancellation Consideration upon the Scheme becoming effective, and transmitted by the Offeror to the Company. Accordingly, under the Controlling Shareholders Irrevocable Undertaking, Total Honest has given written instructions to the Offeror to deduct the amount of the US Loan directly from Total Honest Cash Cancellation Consideration and pay such amount to the Company.

After the above settlement, Total Honest, Suchuang Shanghai, Suchuang Dunhua and Argus Holding and their respective subsidiaries would no longer have any loans, debts, guarantees, or other financial assistance and arrangements with the Group, except:

- (i) the pledge agreement for the remaining loan in (b)(ii) above; and
- (ii) any counter-guarantee provided by Total Honest and/or Fung Yu for the Xinjiang Dunhua Loan.

Total Honest and Fung Yu have agreed and undertaken that if the Total Honest Cash Cancellation Consideration is less than or inadequate to offset the total amount of the following at the date of Special Deal Completion:–

- (a) the adjusted payable of the consideration payable under the Special Deal Agreement;
- (b) the payable amount of the payable under the US Loan as of the date of the Special Deal Completion;
- (c) the payable amount of RMB138 million from the balance of the Suchuang Shanghai Loan; and
- (d) if Total Honest and/or Fung Yu do not provide counter-guarantees satisfactory to the Offeror, the remaining amount of the Xinjiang Dunhua Loan secured by the guarantee by Taicang Natural Gas as of the date of the Special Deal Completion (together with (a), (b) and (c), the “**Relevant Total**”),

the balance (the “**Balance**”) of the Relevant Total less the amount of Total Honest Cash Cancellation Consideration shall be paid by Fung Yu.

Under the Controlling Shareholders Irrevocable Undertaking, Fung Yu has given written instructions to the Offeror to deduct the Balance from the Fung Yu Cash Cancellation Consideration payable. The amount shall be directly paid by the Offeror to the Company and Suchuang Hong Kong (for (a), (b) and (c) above) or retained by the Offeror (for (d) above).

Conditions Precedent to the Special Deal Agreement

Conditions precedent to the Special Deal Agreement are as follows:–

- (a) the consent of the Executive has been obtained pursuant to Note 4 to Rule 25 of the Takeovers Code for the transactions contemplated under the Special Deal Agreement (other than Kunshan Transfer), the Independent Financial Adviser has issued a letter recommending the passing of a resolution by the Shareholders to approve the transactions contemplated under the Special Deal Agreement (other than Kunshan Transfer); and the Company has approved the transactions and the arrangements under the Special Deal Agreement (other than Kunshan Transfer) by a resolution of the Independent Shareholders in accordance with the applicable requirements of the Listing Rules and the Takeovers Code;
- (b) all consents, permissions, licences and authorisations of any relevant governmental authority or agency necessary and desirable for the execution and completion of the transactions under the Special Deal Agreement having been obtained and remaining in full force and effect in accordance with the provisions of any law or regulation of any relevant jurisdiction. As at the Latest Practicable Date, save for condition (a),

the Company was not aware of any consents, permissions, licences or authorisations of any relevant governmental authority or agency that is necessary and desirable for the execution and completion of the transactions under the Special Deal Agreement;

- (c) for the Kunshan Transfer: (i) the consent of other shareholders of Kunshan Anda to the Kunshan Transfer and their written confirmation of the waiver of their respective rights of first refusal having been obtained; and (ii) Taicang Natural Gas obtaining a written consent for the Kunshan Transfer from the Suzhou Branch of China Merchants Bank Co., Ltd; and
- (d) there is no regulatory action, court order or legal proceeding which would render the transactions contemplated by this Special Deal Agreement unlawful or prohibit or restrict their completion.

None of the above conditions precedent above shall be waived, except that (b), (c) and (d) above may be waived by the written consent of the parties to the Special Deal Agreement.

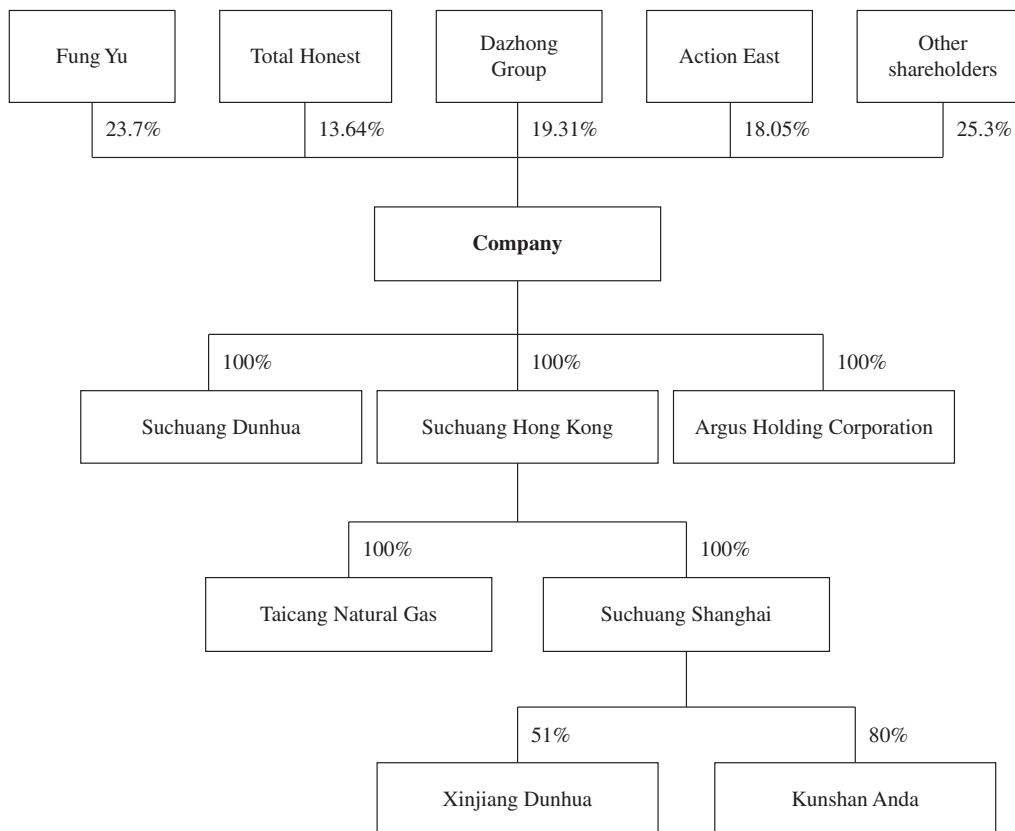
If the conditions precedent set out above are not fulfilled or waived (as the case may be) on or before the long stop date for the Special Deal Agreement (please refer to the immediately following sub-section), the Special Deal Agreement shall be terminated and neither party shall have any claim against the other except for any rights accrued by the parties prior to termination. None of the conditions precedent set out above has been fulfilled or waived as at the Latest Practicable Date.

Special Deal Completion

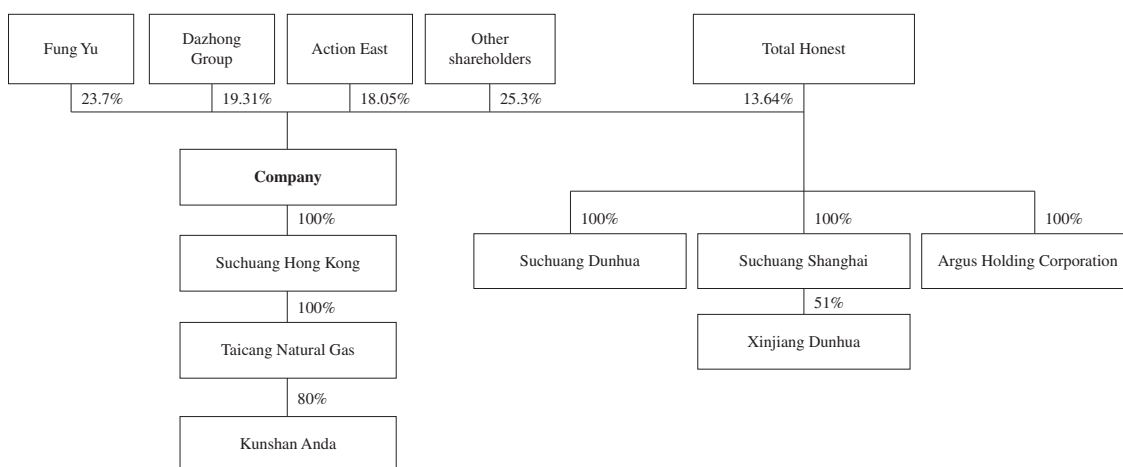
In the event that all the conditions precedent to the Special Deal Agreement are satisfied (or waived), the Special Deal Completion will take place within seven days following the Scheme becoming effective (or other relevant time agreed by the parties in writing) but in any event, no later than one business day before the despatch of cheques to Scheme Shareholders (pursuant to the terms of the Proposal).

The long stop date of the Special Deal Agreement was 15 March 2022 (which was extended to 31 August 2022 pursuant to the Supplemental Agreement to Special Deal Agreement).

The chart below sets out the simplified corporate structure of the Company as at the Latest Practicable Date:



The chart below sets out the simplified corporate structure of the Company immediately upon the Special Deal Completion (assuming the Scheme has not become effective):



Upon the Special Deal Completion, Kunshan Anda will continue to be a subsidiary of the Company. Suchuang Dunhua, Suchuang Shanghai and Argus Holding will no longer be subsidiaries of the Company.

Supplemental Agreement to Special Deal Agreement

On 14 March 2022, the Company, Suchuang Hong Kong, Suchuang Shanghai, Total Honest, Fung Yu and Taicang Natural Gas entered into a supplemental agreement to the Special Deal Agreement, pursuant to which the long stop date of the Special Deal Agreement was extended from 15 March 2022 to 31 August 2022.

Financial information of the Disposal Group

The following table is a summary of certain unaudited combined financial information of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 as disclosed in the Announcement, which was prepared based on the audited financial information from the annual reports of the Company for the years ended 31 December 2019 and 31 December 2020, respectively:

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Combined revenue	2,595	3,334
Combined gross profit	2,510	3,334
Combined profit/(loss) before income tax	(16,696)	(11,779)
Combined profit/(loss) for the year attributable to the owners of the parent of the Disposal Group	(12,707)	(8,907)
Combined net asset value attributable to shareholders	(1,649)	(9,563)

The auditors of the Company have identified certain adjustments when preparing the audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and the audited pro-forma consolidated financial statements of Suchuang Shanghai for the six months ended 30 June 2021. The following table is a summary of unaudited financial information of the Disposal Group for the year ended 31 December 2019 and 2020 with the relevant adjustments applied:

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Combined revenue	2,595	3,334
Combined gross profit	2,510	3,334
Combined profit/(loss) before income tax	(17,137)	(11,629)
Combined profit/(loss) for the year attributable to the owners of the parent of the Disposal Group	(14,517)	(8,215)
Combined net asset value attributable to shareholders	(3,167)	(10,389)

The unaudited combined gross profit, loss before income tax and loss for the year attributable to the owners of the parent of the Disposal Group for the two years ended 31 December 2019 and 31 December 2020 have been prepared by combining the unaudited historical financial information of the Disposal Group on the basis that the Disposal Group are controlled by the Group, which is consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019 and 2020, respectively.

Below is the breakdown of (i) the loss before income tax and (ii) loss for the year attributable to the owners of the parent, for each of Argus Holding, Suchuang Dunhua and Suchuang Shanghai for the years ended 31 December 2019 and 2020.

Profit/(loss) before income tax

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Argus Holding	(10,977)	(120)
Suchuang Dunhua	0	0
Suchuang Shanghai	(6,160)	(11,509)
Total	<u>(17,137)</u>	<u>(11,629)</u>

Profit / (loss) after taxation

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i> RMB ('000)	<i>(unaudited)</i> RMB ('000)
Argus Holding	(10,977)	(120)
Suchuang Dunhua	0	0
Suchuang Shanghai	(5,764)	(9,072)
Total	(16,741)	(9,192)

Profit/(loss) for the year attributable to the owners of the parent of the Disposal Group

	Year ended 31 December	
	2019	2020
	<i>(unaudited)</i> RMB ('000)	<i>(unaudited)</i> RMB ('000)
Argus Holding	(10,970)	(114)
Suchuang Dunhua	0	0
Suchuang Shanghai	(3,547)	(8,101)
Total	(14,517)	(8,215)

The disclosure of the above unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 constitute a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors in accordance with note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

In compliance with the requirement under Rule 10 of the Takeovers Code, the unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for the financial years ended 31 December 2019 and 31 December 2020 have been reported on by Ernst & Young, the auditor of the Company, and Essence. The respective reports from Ernst & Young and Essence in this regard are set out in Appendices IV and V respectively to this Scheme Document.

The audited consolidated financial statements of Argus Holding, audited financial statements of Suchuang Dunhua and the audited pro-forma consolidated financial statements of Suchuang Shanghai for the six months ended 30 June 2021 are set out in Appendix IIA headed “Financial Information of Argus Holding”, Appendix IIB headed “Financial Information of Suchuang Dunhua” and Appendix IIC headed “Financial Information of Suchuang Shanghai” to this Scheme Document, respectively.

As at the Latest Practicable Date, Suchuang Dunhua was an investment holding entity which did not have any business operations, and did not record any material income or expenses for the six months ended 30 June 2021. As at 30 June 2021, the principal asset held by Argus Holding is its investment in a convertible promissory note (“CPN”) issued by G2 Net-Zero LNG LLC, a company incorporated in Louisiana, the US. Based on the valuation report of the Valuer as set out in Appendix IIIA to this Scheme Document, the value of the CPN was approximately US\$14,988,308 as at 28 February 2022.

As at 30 June 2021, the combined audited net book value of the Disposal Group was approximately negative RMB34.67 million (comprising the net book value of each of Suchuang Shanghai, Argus Holding and Suchuang Dunhua, being approximately negative RMB41.12 million, US\$1 million and HK\$100 respectively), while the consideration under the Special Deal Agreement (including the settlement of intra-group loans) is approximately RMB400.76 million. Therefore it is estimated that the Group will recognize a gain of approximately RMB55.34 million (before tax) as of 30 June 2021 upon the Special Deal Completion:

	<i>(approx. RMB million)</i>
Consideration for:	
<i>Suchuang Shanghai</i>	–
<i>Argus Holding</i> ^(Note 1)	6.47
<i>Suchuang Dunhua</i> ^(Note 1)	0.00
Intra-group loans ^(Note 2)	394.29
	<hr/>
Total consideration after the settlement of intra-group loans	<i>a</i> 400.76
	<hr/>

(approx.
RMB million)

Net assets of:		
<i>Suchuang Shanghai</i>		(41.12)
<i>Argus Holding</i> ^(Note 1)		6.47
<i>Suchuang Dunhua</i> ^(Note 1)		0.00
Intra-group loans ^(Note 2)		394.29
Net assets of Disposal Group after the settlement of intra-group loans	<i>b</i>	359.64
Equity attributable to the non-controlling interests	<i>c</i>	14.22
Disposal gains	<i>d=a-(b-c)</i>	55.34

Notes:

1. Net assets of Argus Holding and Suchuang Dunhua are US\$1 million and HK\$100 respectively, which are equivalent to RMB6.47 million and RMB83.1 using the exchange rates of HK\$1.00 = RMB0.83104 and US\$1.00 = RMB6.4728.
2. The intra-group loan consist of (i) Suchuang Shanghai Loan in the amount of RMB305.42 million as at 30 June 2021 and (ii) US Loan in the amount of US\$13.73 million as at 30 June 2021 which is equivalent to RMB88.87 million using the exchange rate of US\$1.00 = RMB6.4728, resulting in intra-group loans totalling RMB394.29 million.

It is expected that the net sale proceeds under the Special Deal Agreement payable upon completion will be approximately RMB233.35 million and will be applied by the Group for general working capital. The net sale proceeds was arrived at by deducting (i) the Kunshan Anda Loan of approximately RMB1.03 million, (ii) the consideration for the Kunshan Transfer of approximately RMB104.40 million and (iii) the repayment of RMB61.98 million by Suchuang Shanghai within two years from the date of the Special Deal Completion from the aggregate amount of intragroup loan (as at 30 June 2021) and the considerations for Hong Kong Transfer, US Transfer and Shanghai Transfer of approximately RMB400.76 million.

Based on the audited financial information of the Disposal Group as set out in Appendix IIA, Appendix IIB and Appendix IIC to this Scheme Document, assuming the Hong Kong Transfer, the US Transfer and the Shanghai Transfer had been completed on 30 June 2021, as at 30 June 2021, the Group's total assets would decrease by approximately RMB321.29 million from approximately RMB2,057.11 million to approximately RMB1,735.82 million; the Group's total liabilities would decrease by approximately RMB355.96 million from approximately RMB1,009.76 million to approximately RMB653.80 million and for the six months ended 30 June 2021, the Group's loss would decrease by approximately RMB55.34 million from approximately net loss of RMB490.33 million to approximately net loss of RMB434.99 million.

Reasons and benefits of entering into the Special Deal Agreement

Taking into account the Proposal, the Company has agreed to restructure its shareholdings in some investments so as to dispose its non-core businesses. The Disposal Group comprises the Company's investment holdings in natural gas businesses outside the PRC and subsidiaries focusing on promoting technologies for nitrogen and carbon dioxide. Through the Special Deal Agreement, the Group will be able to divest its investment in non-core business at a fair consideration while at the same time focus on its principal business in natural gas sales and distribution in the PRC.

In view of the above reasons and benefits, and taking into account the financial performance of the Disposal Group, the Board considered the considerations payable by Total Honest to the Company and Suchuang Hong Kong for the Hong Kong Transfer, the US Transfer and the Shanghai Transfer were fair and reasonable and in the interests of the Company and its shareholders as a whole.

Directors' interests in the Special Deal Agreement

Subsequent to the completion of the Special Deal Agreement, Total Honest will become the holding company of Suchuang Dunhua, Suchuang Shanghai and Argus Holding. Total Honest is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Accordingly, Ms. Su Yi and Ms. Su Wen have voluntarily abstained from voting on the relevant Board resolutions.

Apart from the above, none of the Directors has any material interest in the Special Deal Agreement and is required to abstain from voting on the Board resolutions approving the Special Deal Agreement and the transactions contemplated thereunder. Notwithstanding Mr. Li Jianyi was involved in the negotiation of the Special Deal Agreement, Mr. Li Jianyi personally does not have a material interest in the Special Deal Agreement, and therefore did not abstain from voting on the Board resolutions approving the Special Deal Agreement and the transactions contemplated thereunder.

Takeovers Code implications

Hong Kong Transfer, US Transfer and Shanghai Transfer constitute disposals of the Group's assets to the Controlling Shareholders, and they are therefore special deals under Note 4 of Rule 25 of the Takeovers Code. As Kunshan Transfer is an intra-group transfer of the Group, it does not constitute a special deal under Rule 25 of the Takeovers Code. The Offeror has made an application to seek consent of the Executive for the Special Deals. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the General Meeting. Save for the Controlling Shareholders and Mr. Li Jianyi (who was involved in the negotiation of the

Special Deal Agreement), no Shareholders are involved or interested in the Special Deals. As such, no Shareholder other than the Controlling Shareholders (being Offeror Concert Parties) and Mr. Li Jianyi will abstain from voting on the resolution approving the Special Deals to be proposed at the General Meeting pursuant to the Takeovers Code. The Takeovers Code IBC will advise the Independent Shareholders as to whether the terms of the Special Deals are, or are not, fair and reasonable, and whether to vote in favour of the Special Deals at the General Meeting.

The Independent Financial Adviser has been appointed by the Company and approved by the Takeovers Code IBC to advise the Takeovers Code IBC and Independent Shareholders in respect of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and transactions contemplated thereunder (other than Kunshan Transfer) (as a special deal under Note 4 to Rule 25 of the Takeovers Code).

Listing Rules implications

As at the date of the Special Deal Agreement and of the Supplemental Agreement to Special Deal Agreement, the Company was owned as to approximately 23.76% by Fung Yu and approximately 13.64% by Total Honest. Fung Yu and Total Honest, as substantial shareholders of the Company, are connected persons of the Company. As such, the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer) constitute a connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the US Transfer and the Shanghai Transfer exceed 5% but all are less than 25%, each of the US Transfer and the Shanghai Transfer standalone constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules but exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As all of the applicable percentage ratios in respect of the Hong Kong Transfer are less than 5%, the Hong Kong Transfer standalone is fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with Rule 14.22 of the Listing Rules, the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) should be aggregated. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (other than Kunshan Transfer) exceed 25% but all are less than 75%, the Special Deal Agreement (as amended by the Supplemental

Agreement to Special Deal Agreement) (other than Kunshan Transfer) constitutes a major transaction for the Company, and is subject to the reporting, announcement, circular and shareholder's approval requirements pursuant to Chapter 14 of the Listing Rules.

The Company will at the General Meeting seek approval from the Independent Shareholders for entering into the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder.

The Directors confirm that, save for the Controlling Shareholders, no Shareholder has a material interest in the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder. Since Mr. Li Jianyi was involved in the negotiation of the Special Deal Agreement, he is required to abstain from voting on the resolution approving the Special Deals. As such, no Shareholder other than the Controlling Shareholders and their respective associates (as defined under the Listing Rules) and Mr. Li Jianyi will abstain from voting on the resolution for approving the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder to be proposed at the General Meeting. The Directors confirm that there was (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon Fung Yu and Total Honest; and (ii) no obligation or entitlement of Fung Yu and Total Honest as at the Latest Practicable Date, whereby any of it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Zhou Qingzu, Mr. Zhu Tong and Mr. Feng Yijing, has been formed to advise the Independent Shareholders on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

The Independent Financial Adviser has been appointed with the approval of the Listing Rules IBC to advise the Listing Rules IBC on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer).

The Directors (including the independent non-executive Directors) were of the view that the terms of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) is in the interest of the Company and the Shareholders as a whole.

8. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND THE COURT MEETING

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs to agree such an arrangement.

It is expressly provided in Section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

9. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Act as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all Disinterested Shareholders.

For the purpose of counting the votes for (a) and (b) above, Disinterested Shareholders comprise all Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties (except in respect of the holding of Shares by the CICC group in the capacity of an exempt fund manager for the purposes of the Takeovers Code and excluding Shares held by the CICC group for and on behalf of its non-discretionary investment clients). Shares held by any member of the CICC group acting in the capacity of an exempt principal trader connected with the Offeror or the Company shall not be voted at the Court Meeting in accordance with the requirement of Rule 35.4 of the Takeovers Code, except that Shares held by any member of the CICC group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients shall not be voted at the Court Meeting unless otherwise confirmed with the Executive. Shares held by any member of the CICC group acting in the capacity of exempt principal trader may, subject to the consent of the Executive, be allowed to be voted at the Court Meeting if: (a) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of any non-discretionary client;

(b) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over the relevant Shares; (c) all voting instructions originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by such member of the CICC group); and (d) such non-discretionary client is not an Offeror Concert Party. For the avoidance of doubt, Disinterested Shareholders include any member of the CICC group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code.

As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 452,190,000 Scheme Shares. On that basis, and assuming that no new Shares are issued on or before the Meeting Record Date, 10% of the votes attached to all the Scheme Shares held by all Disinterested Shareholders referred to in (b) above would represent approximately 45,219,000 Shares.

10. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the General Meeting.

11. SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Latest Practicable Date, the Company had 903,084,000 Shares in issue, all of which are Scheme Shares.

As at the Latest Practicable Date, the Offeror did not hold any Shares, and the Offeror Concert Parties held 450,894,000 Shares, representing 49.93% of the issued share capital of the Company.

On the assumption that (i) no Outstanding Share Options were exercised before the Option Record Date, (ii) all Scheme Shareholders (including the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative) elect the Cash Alternative, (iii) no Scheme Shareholder elects the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 2)</i>
Offeror	–	–	903,084,000	100.00%
Offeror Concert Parties				
Fung Yu (Note 3)	214,546,000	23.76%	–	–
Total Honest (Note 4)	123,138,000	13.64%	–	–
Minority IU Shareholders (Note 5)	90,812,000	10.06%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 6)	22,398,000	2.48%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	450,894,000	49.93%	903,084,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 7)	129,344,000	14.32%	–	–
Shanghai Dazhong (Note 7)	45,000,000	4.98%	–	–
Action East (Note 8)	163,040,000	18.05%	–	–
Mr. Du Shaozhou (Note 9)	100,000	0.01%	–	–
Mr. Li Jianyi (Note 10)	96,000	0.01%	–	–
Other Disinterested Shareholders	114,610,000	12.69%	–	–
Total number of Shares	903,084,000	100.00%	903,084,000	100.00%
Total number of Scheme Shares	903,084,000	100.00%	–	–
Total number of Disinterested Shares	452,190,000	50.07%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that no Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (郊美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
7. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
8. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
9. Mr. Du Shaozhou is an executive Director and chief executive officer of the Company.
10. Mr. Li Jianyi is an executive Director.

On the assumption that (i) no Outstanding Share Options were exercised before the Option Record Date, (ii) the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative elect the Cash Alternative, (iii) all the other Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate percentage of the issued share capital (Note 1)</i>	<i>Number of Shares (Note 2)</i>	<i>Approximate percentage of the issued share capital</i>
Offeror	–	–	450,894,000	49.93%
Offeror Concert Parties				
HoldCo	–	–	452,190,000	50.07%
Fung Yu (Note 3)	214,546,000	23.76%	–	–
Total Honest (Note 4)	123,138,000	13.64%	–	–
Minority IU Shareholders (Note 5)	90,812,000	10.06%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 6)	22,398,000	2.48%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	450,894,000	49.93%	903,084,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 7)	129,344,000	14.32%	–	–
Shanghai Dazhong (Note 7)	45,000,000	4.98%	–	–
Action East (Note 8)	163,040,000	18.05%	–	–
Mr. Du Shaozhou (Note 9)	100,000	0.01%	–	–
Mr. Li Jianyi (Note 10)	96,000	0.01%	–	–
Other Disinterested Shareholders	114,610,000	12.69%	–	–
Total number of Shares	903,084,000	100.00%	903,084,000	100.00%
Total number of Scheme Shares	903,084,000	100.00%	–	–
Total number of Disinterested Shares	452,190,000	50.07%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that no Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
7. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.

8. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
9. Mr. Du Shaozhou is an executive Director and chief executive officer of the Company.
10. Mr. Li Jianyi is an executive Director.

Share Options

As at the Latest Practicable Date, there were 50,250,000 Outstanding Share Options granted under the Share Option Scheme, of which 16,500,000 Share Options had an exercise price of HK\$2.00, 19,250,000 Share Options had an exercise price of HK\$2.28 and 14,500,000 Share Options had an exercise price of HK\$3.06. As at the Latest Practicable Date, all the Share Options under the Share Option Scheme had been granted. The Company will not grant any further Share Options under the Share Option Scheme before the Long Stop Date.

As at the Latest Practicable Date, save for the 2,200,000 Share Options owned by Mr. Su Aping and the 7,000,000 Share Options owned by Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司), the Offeror and the Offeror Concert Parties do not own any Share Options.

The exercise of all the Outstanding Share Options in full would result in the issue of 50,250,000 new Shares (representing approximately 5.56% of the issued share capital of the Company as at the Latest Practicable Date) and approximately 5.27% of the issued share capital of the Company as enlarged by the issue of such new Shares.

Accordingly, the Offeror is making (or procuring to be made on their behalf) the Option Offer for the 50,250,000 Outstanding Share Options assuming no exercise or lapse of such Share Options by them before the Option Record Date. Such Option Offer will be conditional upon the Scheme becoming effective.

The Option Offer Letter to holders of Share Options setting out the terms and conditions of the Option Offer is being despatched separately to holders of Share Options and is substantially in the form set out in “Appendix XI – Form of Option Offer Letter” to this Scheme Document.

On the assumption that (i) all Share Options were exercised before the Latest Practicable Date, (ii) all Scheme Shareholders (including the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative) elect the Cash Alternative, (iii) no Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate percentage of the issued share capital (Note 1)	Number of Shares (Note 2)	Approximate percentage of the issued share capital
Offeror	–	–	953,334,000	100.00%
Offeror Concert Parties				
Fung Yu (Note 3)	214,546,000	22.50%	–	–
Total Honest (Note 4)	123,138,000	12.92%	–	–
Su Aping (Notes 3, 4)	2,200,000	0.23%	–	–
Minority IU Shareholders (Note 5)	90,812,000	9.53%	–	–
Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有 限公司) (Note 6)	7,000,000	0.73%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 7)	22,398,000	2.35%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	460,094,000	48.26%	953,334,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 8)	129,344,000	13.57%	–	–
Shanghai Dazhong (Note 8)	45,000,000	4.72%	–	–
Action East (Note 9)	163,040,000	17.10%	–	–
Ms. Su Yi (Note 10, 11)	2,150,000	0.23%	–	–
Mr. Du Shaozhou (Note 11)	2,300,000	0.24%	–	–
Mr. Li Jianyi (Note 11)	1,946,000	0.20%	–	–
Mr. Xu Lei (Note 11)	300,000	0.03%	–	–
Mr. Zhou Qingzu (Note 11)	300,000	0.03%	–	–
Other Disinterested Shareholders	148,860,000	15.61%	–	–
Total number of Shares	953,334,000	100.00%	953,334,000	100.00%
Total number of Scheme Shares	953,334,000	100.00%	–	–
Total number of Disinterested Shares	493,240,000	51.74%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.
7. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignments and Set-Off Agreement" above.
8. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with Stock Code 600635 and the H shares of which are listed on the Stock Exchange with Stock Code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
9. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
10. Ms. Su Yi is the beneficial owner of 2,150,000 Share Options. In addition, Ms. Su Yi is one of the several eligible beneficiaries of two discretionary trusts which are interested in 214,546,000 Shares and 123,138,000 Shares in the Company, as stated in Notes 3 and 4 above, respectively.
11. Ms. Su Yi, Mr. Du Shaozhou and Mr. Li Jianyi are the executive Directors, Mr. Xu Lei is a non-executive Director and Mr. Zhou Qingzu is an independent non-executive Director.

On the assumption that (i) all the Share Options were exercised before the Latest Practicable Date, (ii) the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders (through Hwabao) who have undertaken to elect (or give instruction to elect) the Cash Alternative, (iii) all the other Scheme Shareholders elect the Share Alternative and (iv) there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate percentage of the issued share capital (Note 1)	Number of Shares (Note 2)	Approximate percentage of the issued share capital
Offeror	–	–	460,094,000	48.26%
Offeror Concert Parties				
HoldCo (Note 3)	–	–	493,240,000	51.74%
Fung Yu (Note 3)	214,546,000	22.50%	–	–
Total Honest (Note 4)	123,138,000	12.92%	–	–
Su Aping (Notes 3, 4)	2,200,000	0.23%	–	–
Minority IU Shareholders (Note 5)	90,812,000	9.53%	–	–
Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) (Note 6)	7,000,000	0.73%	–	–
Hwabao (as trustee for the Entrustment Minority Shareholders) (Note 7)	22,398,000	2.35%	–	–
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	460,094,000	48.26%	953,334,000	100.00%
Disinterested Shareholders				
Dazhong (Hong Kong) (Note 8)	129,344,000	13.57%	–	–
Shanghai Dazhong (Note 8)	45,000,000	4.72%	–	–
Action East (Note 9)	163,040,000	17.10%	–	–
Ms. Su Yi (Note 10, 11)	2,150,000	0.23%	–	–
Mr. Du Shaozhou (Note 11)	2,300,000	0.24%	–	–
Mr. Li Jianyi (Note 11)	1,946,000	0.20%	–	–
Mr. Xu Lei (Note 11)	300,000	0.03%	–	–
Mr. Zhou Qingzu (Note 11)	300,000	0.03%	–	–
Other Disinterested Shareholders	148,860,000	15.61%	–	–
Total number of Shares	953,334,000	100.00%	953,334,000	100.00%
Total number of Scheme Shares	953,334,000	100.00%	–	–
Total number of Disinterested Shares	493,240,000	51.74%	–	–

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options were exercised before the Option Record Date and there is no other change in shareholding of the Company before completion of the Proposal, upon such reduction, the issued share capital of the Company will be increased to its former amount by allotting and issuing to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror and HoldCo (as applicable).
3. 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Mr. Su Aping is the spouse of Ms. Zhu Yaying. Under the SFO, Mr. Su Aping is deemed to be interested in the same number of Shares in which Ms. Zhu Yaying is interested.
4. 123,138,000 Shares are beneficially owned by Total Honest which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee for a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Mr. Su Aping is the beneficial owner of 2,200,000 Share Options. Ms. Zhu Yaying is the spouse of Mr. Su Aping. Under the SFO, Ms. Zhu Yaying is deemed to be interested in the same number of Shares and Share Options in which Mr. Su Aping is interested.
5. The Minority IU Shareholders comprise Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (賈美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良). For further details on the shareholding of each of the Minority IU Shareholders as of the date of the Latest Practicable Date, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings" above.
6. Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.
7. Prior to completion of the Transfer Agreements (which is expected to take place after the Scheme becomes effective), the Entrustment Minority Shareholders hold an interest in the Shares through the Trust Arrangements with Hwabao. For further details on the assignment of this interest in Shares from the Entrustment Minority Shareholders to Taicang Natural Gas, please refer to the section headed "6. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings – Terms of the Transfer Agreements and Assignment and Set-Off Agreement" above.
8. Dazhong (Hong Kong) is a wholly-owned subsidiary of Shanghai Dazhong, the A shares of which are listed on the Shanghai Stock Exchange with stock code 600635 and the H shares of which are listed on the Stock Exchange with stock code 1635. Under the SFO, Shanghai Dazhong is deemed to be interested in the same number of shares in which Dazhong (Hong Kong) is interested. Shanghai Dazhong was the beneficial owner of 45,000,000 Shares.
9. 163,040,000 Shares are beneficially owned by Action East which is wholly owned by Prax Capital. Under the SFO, Prax Capital is deemed to be interested in the same number of shares in which Action East is interested.
10. Ms. Su Yi is the beneficial owner of 2,150,000 Share Options. In addition, Ms. Su Yi is one of the several eligible beneficiaries of two discretionary trusts which are interested in 214,546,000 Shares and 123,138,000 Shares in the Company, as stated in Notes 3 and 4 above, respectively.
11. Ms. Su Yi, Mr. Du Shaozhou and Mr. Li Jianyi are the executive Directors, Mr. Xu Lei is a non-executive Director and Mr. Zhou Qingzu is an independent non-executive Director.

12. REASONS FOR AND BENEFITS OF THE PROPOSAL**For the Offeror:*****(1) Facilitate the strategic goals in expansion of the natural gas business within Yangtze River Delta Region***

The Offeror considers that the Company is well-positioned in the market for the natural gas business in Taicang, the PRC, a core location in the Yangtze River Delta Region with strategic importance in the natural gas distribution pipeline. After completion of the Proposal, the Offeror will have acquired the natural gas business of the Company and the Offeror considers that the Offeror will then be able to leverage its nationwide procurement resources, improve the interconnectivity of its natural gas pipelines, and improve the overall operation efficiency of its urban gas distribution in the Yangtze River Delta Region. Hence, the Offeror believes that the acquisition could create synergy and strengthen its urban gas distribution business and will be beneficial to and is in the interest of the Offeror and its shareholders as a whole.

It is the intention of the Offeror that the Group will continue to carry on its current business and expansion goal in natural gas business within Yangtze River Delta Region, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group) upon the successful take-private of the Company, while the Offeror will leverage its own industry expertise to facilitate the Group's development plan in conjunction with the Offeror's development plan. The transaction will allow the Company to be well-positioned to benefit from the long-term growth trends in the PRC. The Offeror does not intend to re-list the Company in the PRC or on any other overseas stock exchanges or make any significant changes to the continued employment of the employees of the Group, except for staff movements which are part of normal conduct of business.

In respect of the impact of the Proposal to the Offeror, (i) in terms of assets, the Offeror's assets will further increase, (ii) in terms of liabilities, considering the financial resource of the Offer is intra-group financing from Offeror's controlling shareholder, the Offeror's liabilities will increase accordingly, (iii) in terms of profits, leveraging Offeror's nationwide procurement resources may increase the overall operation efficiency and may reduce operation cost and (iv) in terms of business, the Proposal will allow the Offeror to improve the interconnectivity of its natural gas pipelines in the Yangtze River Delta Region, create synergy and strengthen its urban gas distribution business and will be beneficial to and in the interest of the Offeror and its shareholders as a whole.

For the Scheme Shareholders:***(2) Exit investments with limited liquidity and at a compelling premium to the prevailing trading price***

The Offeror notes that the trading liquidity of the Shares has been at a relatively low level over an extended period of time. The average daily trading volume of the Shares for the six months up to and including the Last Trading Day was approximately 21,447 Shares per day, representing only approximately 0.0024% of the issued Shares as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for the Scheme Shareholders to execute on-market trades of Shares without adversely affecting the market price of the Shares or at a notable discount to last trading price.

In this regard, the Offeror is of the view that the Proposal provides an opportunity for the Scheme Shareholders to realise their holdings of Shares with limited liquidity in return for cash.

The Offeror considers that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company at a compelling premium over the prevailing market price of the Shares. The cash consideration of HK\$2.50 per Scheme Share under the Cash Alternative represents a premium of approximately 23.76% on the average closing prices of HK\$2.02 for the 180 trading days up to and including the Last Trading Day, respectively.

The Proposal provides the Scheme Shareholders with an opportunity to realise their investments in the Company under the current market uncertainties and volatilities. A number of recent political and economic events (including but not limited to the COVID-19 pandemic) raises uncertainties and volatilities in the global capital market. Since 2021, the Hang Seng Index has shown an overall downward trend. As of the Last Trading Day, it has decreased by approximately 3.08%.

(3) Opportunity to continue to invest in the Company

The Offeror considers that the Proposal provides the Scheme Shareholders, through the election of Share Alternative, with an opportunity to remain invested and participated in the Company's natural gas business in Taicang, the PRC, subject to the risk factors of holding HoldCo Shares as disclosed in the section headed "2. Terms of the Proposal – Risk factors of electing the Share Alternative" in this Explanatory Memorandum.

For the Company:**(4) *Reduce the costs and resources to maintain a listing platform that lacks financing capabilities***

The Offeror considers that due to the low liquidity and the relative underperformance in the trading of the Shares, there will be difficulties to a certain extent for the Company to raise funds from public equity markets, which the Offeror believes is unlikely to see any significant improvement in the near term.

As such, the Offeror believes that the administrative costs and management resources associated with maintaining the Company's listing status are no longer justified. The Proposal will reduce such administrative costs and management resources invested by the Company to maintain a listing platform that lacks financing capabilities, in which the management can focus on the business operations of the Group.

13. INFORMATION OF THE GROUP, THE OFFEROR AND HOLDCO**The Group*****Company***

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange with the stock code 1430. The principal business activities of the Group include distribution and sale of piped natural gas, provision of natural gas transmission and acting as the main contractor of construction and installation of gas pipelines in the PRC.

Suchuang Hong Kong

Suchuang Hong Kong is a company incorporated in Hong Kong with limited liability. The principal business activity of Suchuang Hong Kong is investment holding. Suchuang Hong Kong is a direct wholly-owned subsidiary of the Company.

Argus Holding

Argus Holding is a company incorporated under the laws of the state of Delaware of the United States with limited liability. The principal business activity of Argus Holding is investment holding. Argus Holding is a direct wholly owned subsidiary of the Company.

Suchuang Dunhua

Suchuang Dunhua is a company incorporated in Hong Kong with limited liability. Suchuang Dunhua has not yet commenced any business or operation since its incorporation. Suchuang Dunhua is a direct wholly-owned subsidiary of the Company.

Suchuang Shanghai

Suchuang Shanghai is a company established in the PRC with limited liability. The principal business activity of Suchuang Shanghai is investment holding. Suchuang Shanghai is a direct wholly-owned subsidiary of Suchuang Hong Kong, which is in turn wholly owned by the Company.

Taicang Natural Gas

Taicang Natural Gas is a company established in the PRC with limited liability. The principal business activities of Taicang Natural Gas are distribution and sale of natural gas, provision of natural gas transmission, main contractor of construction and installation of gas pipelines. Taicang Natural Gas is a direct wholly owned subsidiary of Suchuang Hong Kong, which is in turn wholly owned by the Company.

The following table is a summary of certain audited consolidated financial information of the Group for the years ended 31 December 2019 and 31 December 2020 and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2021, based on the financial information from the 2019 annual report, the 2020 annual report and the interim report for the six months ended 30 June 2021 of the Company:

	Year ended 31 December 2019	Year ended 31 December 2020	Six months ended 30 June 2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	1,329,875	1,181,120	643,959
Gross Profit	248,516	209,680	90,960
Profit/(loss) before income tax	124,915	98,380	(526,909)
Profit/(loss) for the year/period attributable to shareholders	70,150	54,421	(490,039)
Consolidated net asset value attributable to shareholders	1,430,293	1,465,881	956,627

Offeror

The Offeror is a company incorporated in Hong Kong with limited liability, which is indirectly wholly owned by CR Gas, whose shares are listed on the Main Board of the Stock Exchange with stock code 1193. The Offeror is the intermediate holding company of various PRC subsidiaries of CR Gas. CR Gas is an investment holding company and is principally engaged in downstream city gas distribution business including piped natural gas distribution, natural gas filling stations operation and sales of gas appliances in the PRC.

The following table is a summary of certain audited consolidated financial information of CR Gas for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 based on the financial information from the 2019 annual report, the 2020 annual report and the 2021 annual report of CR Gas:

	Year ended 31 December 2019 <i>(audited)</i> <i>(HK\$'000)</i>	Year ended 31 December 2020 <i>(audited)</i> <i>(HK\$'000)</i>	Year ended 31 December 2021 <i>(audited)</i> <i>(HK\$'000)</i>
Revenue	56,976,290	55,864,169	78,175,136
Gross Profit	14,213,581	15,027,477	18,295,276
Profit/(loss) before income tax	8,421,548	8,990,263	11,183,717
Profit/(loss) for the year/period attributable to shareholders	6,499,743	6,711,888	8,439,832
Consolidated net asset value attributable to shareholders	35,822,215	46,868,359	54,037,662

HoldCo

HoldCo is a business company incorporated in the British Virgin Islands with limited liability. Before the Scheme becomes effective, (i) all the issued shares of HoldCo, comprising one HoldCo Share, are and will continue to be beneficially and wholly held by the Offeror; and (ii) the directors of the HoldCo are Mr. Ge Bin, Mr. Li Xiaoshuang and Mr. Fan Zhe. Mr. Ge Bin is also a director of CR Gas and Mr. Li Xiaoshuang is also a director of the Offeror.

HoldCo will not carry on any business other than matters in connection with the Proposal and the Scheme. HoldCo will not engage in any business other than acting as the holding company of the new Shares of the Company issued to it under the Share Alternative after completion of the Proposal.

HoldCo was incorporated on 10 September 2021 in the British Virgin Islands.

HoldCo does not have a principal office in or outside Hong Kong.

HoldCo is authorised to issue a maximum of 611,300,001 ordinary shares of a single class without par value.

HoldCo has one ordinary share in issue which was issued to the Offeror.

Ordinary shareholders of HoldCo are entitled to rights in respect of capital, dividends and voting which will rank *pari passu* with ordinary share of HoldCo held by the Offeror (which in any event will be repurchased and cancelled after the Proposal becomes effective).

None of the ordinary shares in HoldCo have been bought back since the end of the last financial year of the Offeror, i.e. 31 December 2020.

There are no options, warrants or conversion rights affecting ordinary shares in HoldCo.

There is no re-organisation of the issued shares of HoldCo during the two financial years preceding the commencement of the offer period.

HoldCo does not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

HoldCo is not a party to any material litigation.

HoldCo has not entered into any material contract after the date two years before the commencement of the offer period.

Please refer to the section headed “17. Registration and Payment – Procedures for transfer of the New Shares” in this Explanatory Memorandum for further information on how and when the documents of title to the New Shares will be issued.

The emoluments of the directors of the Offeror will not be affected by the acquisition of the Company or by any other associated transaction.

For the effect of full acceptance of the Share Alternative upon HoldCo’s assets, liabilities, profits and business, please refer to “Appendix VII – Estimate of Value of HoldCo Shares”.

14. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from one clear Business Day following the Effective Date.

The Scheme Shareholders will be notified by way of announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective. An expected timetable of the Proposal is included in Part III of this Scheme Document.

15. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Proposal and the Scheme lapse, no change in the shareholding structure of the Company will result from the Proposal and the Scheme, and the shareholding structure of the Company as at the Latest Practicable Date as set out in the section headed “11. Shareholding Structure of the Company and Scheme Shares” in “Part VIII – Explanatory Memorandum” on pages 233 to 242 of this Scheme Document shall remain unchanged (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Proposal and the Scheme lapse). Accordingly, the Company will continue to be able to maintain sufficient public float in its Shares under Rule 8.08 of the Listing Rules in the event that the Proposal and the Scheme lapse.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1(a) of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

16. COSTS OF THE SCHEME

If the Takeovers Code IBC or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Takeovers Code IBC and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

17. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on 17 June 2022, it is proposed that the register of members of the Company will be closed from 17 June 2022 (or such other date as Shareholders may be notified by announcement) in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration in their names or in the names of their nominees before the closure of the register of members of the Company.

Payment of Cancellation Consideration to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Consideration for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date. Assuming that the Scheme becomes effective on 12 July 2022, (a) cheques for cash entitlements to those who have validly elected the Cash Alternative and those whose elections for the Share Alternative were invalid, and (b) share certificates for HoldCo Shares to those who have validly elected the Share Alternative will be despatched as soon as possible but in any event within seven Business Days following the Scheme having become effective and accordingly, the cheques and the share certificates for HoldCo Shares are expected to be despatched on or before 21 July 2022.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, cheques and share certificates for HoldCo Shares will be sent by posting the same in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques and share certificates will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, Essence or any of them will be responsible for any loss or delay in despatch.

Beneficial Owners should note that if you hold Shares through a nominee (including but not limited to HKSCC Nominees) and elect to receive the Share Alternative, the HoldCo Shares to be issued to you as Cancellation Consideration will be issued in the name of the Registered Owner for subsequent transfer to you. **As HoldCo Shares will not become eligible securities in CCASS, you are required to instruct your securities dealer/custodian bank to withdraw the HoldCo Shares from CCASS and arrange for the transfer of those shares into your own name, or some other nominee on your behalf, as soon as possible thereafter. Please see the sub-sections headed "Withdrawal from CCASS" and "Procedures for Transfer of the New Shares" below for further details.**

Shareholders are recommended to consult their professional advisors if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies for those entitled under the terms of the Option Offer until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Option Offer.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about 12 July 2022.

Any certificates of HoldCo Shares posted to the Scheme Shareholders pursuant to the Scheme which have been returned or undelivered will be cancelled. The share registrar of the Offeror may at any time thereafter issue new share certificates in respect of such HoldCo Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such HoldCo Shares, subject to the payment of any expenses incurred.

Except for the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders to whom the Cancellation Consideration payable is subject to the off-setting arrangement under the Controlling Shareholders Irrevocable Undertaking (as amended by the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking), the Minority IU Shareholders Irrevocable Undertakings and the Entrustment Minority Shareholders Irrevocable Undertakings (please refer to “3. Irrevocable Undertakings from the IU Shareholders – Controlling Shareholders Irrevocable Undertaking” and “4. Minority IU Shareholders Irrevocable Undertakings and Entrustment Minority Shareholders Irrevocable Undertakings” in the Letter from the Board set out in Part IV of this Scheme Document), settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Payment in respect of the Option Offer Price to Optionholders

On the basis that the Scheme becomes effective, cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible but in any event within seven Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before 21 July 2022. Cheques will be sent by posting the same in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, Essence or any of them will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies for those entitled under the terms of the Option Offer until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Option Offer.

As at the Latest Practicable Date, (i) all Share Options with an exercise price of HK\$2.00, 19,250,000 Share Options with an exercise price of HK\$2.28 and 11,600,000 Share Options with an exercise price of HK\$3.06, respectively, were vested; and (ii) 2,900,000 Share Options with an exercise price of HK\$3.06 were unvested.

Settlement of the consideration to which the Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer and subject to the terms of the Share Option Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Optionholders.

Withdrawal from CCASS

The New Shares will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the New Shares will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. The New Shares received by any persons holding their New Shares through CCASS will initially be held in the name of HKSCC Nominees. HKSCC will not however provide any transfer services in respect of any New Shares. Any person holding any New Shares through HKSCC Nominees wishing to transfer New Shares must first arrange for withdrawal of such New Shares from CCASS and the registration of the New Shares in his own name.

A fee of HK\$1 per transfer will be charged by HKSCC for withdrawal of New Shares.

Procedures for transfer of the New Shares

It is expected that the register of holders of New Shares will be maintained by the registered agent of HoldCo in the British Virgin Islands.

A transfer of the New Shares is to be effected by a shareholder of HoldCo completing an instrument of transfer, in a common form or in a form approved by the directors of HoldCo, executed by or on behalf of that shareholder of HoldCo. Until further notice provided by HoldCo, the instrument of transfer can be obtained at the office of Conyers Trust Company (BVI) Limited, at 29/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong and the signed instruments of transfer must be delivered for registration at the aforesaid office of Conyers Trust Company (BVI) Limited from 9:00 a.m. to 4:30 p.m. on any business day in Hong Kong.

The board of HoldCo may refuse to register the transfer of the New Shares to any person in their absolute discretion without giving any reason for their refusal pursuant to the articles of association of HoldCo. In particular, the board of HoldCo may decline to recognise any instrument of transfer unless:

- (1) such fees, as may be required by HoldCo and/or the share registrar of HoldCo and/or any of their agents for the purpose of handling the transfer are paid thereof (currently being transfer agent fees of US\$35 per transfer and US\$5 per new share certificate);
- (2) the instrument of transfer is accompanied by the certificate of the New Shares to which it relates, and such other evidence as the board of HoldCo may reasonably require to show the right of the transferor to make the transfer;
- (3) the instrument of transfer is in respect of only one class of shares; and
- (4) any additional information and/or documentary evidence as might be reasonably requested by the board of HoldCo or Conyers Trust Company (BVI) Limited is provided to it.

Each new certificate to be issued upon a transfer of the New Shares will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any business day in Hong Kong at the aforesaid office of Conyers Trust Company (BVI) Limited after one calendar month following receipt of the documents specified above by Conyers Trust Company (BVI) Limited and upon production of such identification papers or additional documents as may be reasonably requested by HoldCo or Conyers Trust Company (BVI) Limited.

Where some but not all of the New Shares in respect of which a certificate is issued are to be transferred, a new certificate in respect of the balance of the New Shares not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any business day in Hong Kong at the aforesaid office of Conyers Trust Company (BVI) Limited after one calendar month following receipt of the documents specified above by Conyers Trust Company (BVI) Limited and upon production of such identification papers additional documents as may be reasonably requested by Offeror or Conyers Trust Company (BVI) Limited.

Any holder of New Shares wishing to split his holding of New Shares into two or more share certificates must lodge his request with the transfer agent. A fee may be charged by HoldCo or any of its agents for the splitting of the New Share certificate. New share certificate(s) issued in respect of the splitting of the New Share certificate will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any business day in Hong Kong at the aforesaid office of Conyers Trust Company (BVI) Limited after one calendar month following receipt of such request together with the original share certificate by Conyers Trust Company (BVI) Limited and upon presentation of such identification papers as may be reasonably requested by the Offeror or Conyers Trust Company (BVI) Limited.

18. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS**General**

The making of the Proposal to the Scheme Shareholders and the Option Offer to Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and Optionholders are located.

Such Scheme Shareholders and Optionholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas Optionholders, wishing to take an action in relation to the Proposal and Option Offer, respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such Scheme Shareholders and Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers (including CICC), that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

Notice to UK investors

This Scheme Document is being distributed and communicated only to: (a) persons outside the UK; (b) persons who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FPO”); or (c) high net worth companies, unincorporated associations and other bodies within the categories described in Article 49(2)(a) to (d) of the FPO.

Notice to US investors

This Scheme Document is not an offer of securities for sale in the United States. The New Shares to be issued in connection with the Proposal will not be, and are not required to be, registered under the Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act and available exemptions from such state law registration requirements.

The Proposal relates to the securities of the HoldCo and the Company, which are incorporated in the BVI and the Cayman Islands with limited liability, respectively. The Proposal will be effected under a scheme of arrangement provided for under the Companies Act. Accordingly, the Proposal is subject to the disclosure requirements, rules and practices applicable to Cayman schemes of arrangement, and the information disclosed in this Scheme

Document may not be the same as that which would have been disclosed if this Scheme Document had been prepared for the purpose of complying with the requirements of US federal securities laws or in accordance with the laws and regulations of any other jurisdiction. The financial information included in the relevant documentation has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with US GAAP. US GAAP differs in certain significant respects from International Financial Reporting Standards. None of the financial information in this Scheme Document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board of the United States.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme or by an Optionholder as consideration for the cancellation of its Options may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares or Share Options is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

US holders of Scheme Shares and Share Options may encounter difficulty enforcing their rights and any claims arising out of US securities laws, as the Offeror and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. US holders of Scheme Shares or Share Options may not be able to sue a foreign company or its officers or directors in a foreign court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, US holders of Scheme Shares or Share Options may encounter difficulty compelling a foreign company and its affiliates to subject themselves to a US court's jurisdiction.

New Shares issued to a Scheme Shareholder that is neither an "affiliate" (within the meaning of the Securities Act), for the purposes of the Securities Act, of the Company or the Offeror prior to the Effective Date, nor an affiliate of the Offeror after the Effective Date, should not be "restricted securities" under the Securities Act, and such New Shares may be sold by such person in ordinary secondary market transactions without restriction under the Securities Act. New Shares issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.

Persons who are affiliates of the Company or the Offeror prior to the Effective Date, or an affiliate of the Offeror after the Effective Date, may not resell New Shares received pursuant to the Scheme in the United States without registration under the Securities Act, except pursuant to an applicable exemption from the registration requirements of the Securities Act or in a transaction not subject to such requirements. Persons who may be deemed to be affiliates of the Company or the Offeror, as the case may be, include individuals who, or entities that,

control, directly or indirectly, or are controlled by or are under common control with, the Company or the Offeror, as the case may be, and may include certain officers and directors of such company and such company's principal shareholders (such as a holder of more than 10% of the outstanding capital stock of such company). Persons who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any sale of New Shares received pursuant to the Scheme.

The New Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. The Offeror does not intend to facilitate a market in New Shares in the United States. Consequently, the Offeror believes that it is unlikely that an active trading market in the United States will develop for the New Shares.

Neither the US Securities and Exchange Commission nor any other US federal or state securities commission or regulatory authority has approved or disapproved of the New Shares or passed an opinion on the adequacy of this Scheme Document. Any representation to the contrary is a criminal offense in the United States.

For the purposes of qualifying for the exemption from the registration requirements of the Securities Act afforded by section 3(a)(10) thereof, the Company will advise the Grand Court before the Court Meeting that its sanctioning of the Scheme will be relied upon by the Company and the Offeror for such purpose as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to Shareholders, at which hearing all such holders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

In accordance with the Takeovers Code, CICC and some of its affiliates may continue to act as exempt principal traders and exempt fund managers in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law and is made outside the United States. Any information about such purchases will be reported to the Securities and Futures Commission and, to the extent required to be publicly disclosed under the Takeovers Code, will be available on the website of the Securities and Futures Commission at <http://www.sfc.hk/>.

Shareholders and beneficial owners of the Shares should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares or the New Shares, as the case may be. It is emphasised that none of the Company, the Offeror, any of their respective directors or officers, employees, agents, affiliates or advisers and any other person involved in the Scheme accept any responsibility in relation to the above.

19. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders and Optionholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal or the Option Offer.

It is emphasised that none of the Offeror, the Company and CICC or any of their respective directors, officers or associates or any other person involved in the Proposal or the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal or the Option Offer. All Scheme Shareholders and/or Beneficial Owners are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal and they shall be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme.

20. SCHEME SHARES

As at the Latest Practicable Date, the Offeror did not hold any Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting. The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

As at the Latest Practicable Date, (i) Fung Yu and Total Honest held an aggregate of 337,684,000 Shares (representing approximately 37.40% of the issued share capital of the Company), (ii) the Minority IU Shareholders held in an aggregate of 90,812,000 Shares (representing approximately 10.06% of the issued share capital of the Company), (iii) the Entrustment Minority Shareholders (through Hwabao) held in an aggregate of 22,398,000 Shares (representing approximately 2.48% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. As members of the Offeror Concert Parties, the votes of the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (4)(a) and (b) under the section headed “4. Conditions to the Proposal and the Scheme” in this Explanatory Memorandum (as required under Rule 2.10 of the Takeovers Code) are satisfied, but will be counted as votes of Scheme Shareholders in determining whether the requirement under Condition (3) in the section headed “4. Conditions to the Proposal and the Scheme” in this Explanatory Memorandum (as required under Companies Act) is satisfied.

Besides Fung Yu, Total Honest, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao), there are no Offeror Concert Parties who held Shares as at the Latest Practicable Date.

21. COURT MEETING AND THE GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purposes of determining whether the requirements set out in the section headed “9. Additional requirements as imposed by Rule 2.10 of the Takeovers Code” above in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code. The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the sub-section headed “Court Meeting” below.

The General Meeting will be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing, among other things, (i) by the Shareholders, the special resolution to approve and give effect to (a) the Scheme and the associated reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, (b) immediately prior to the cancellation and extinguishment of the Scheme Shares taking effect, the allotment and issue to the Offeror of one new Share, (c) the issue to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one, and (d) the application of the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new ordinary shares issued to the Offeror and HoldCo pursuant to such special resolution; (ii) by the Shareholders, the special resolution to approve the withdrawal of listing of the Shares; and (iii) by the Independent Shareholders, the ordinary resolution to approve the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder.

Court Meeting

The Scheme is conditional upon, among other things:

- (a) approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) in relation to the Scheme:
- (i) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Shares that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares.

Scheme Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote their Scheme Shares in person or by proxy, at the Court Meeting for the purposes of Section 86 of the Companies Act, in favour of the Scheme or against the Scheme.

In accordance with the Companies Act, the “75%” requirement, as described above, will be met if the total value of Scheme Shares being voted in favour of the Scheme is at least 75% of the total value of the Scheme Shares voted at the Court Meeting.

In accordance with the Companies Act, the “majority in number” requirement, as described above, will be met if the number of Scheme Shareholders voting in favour of the Scheme exceeds the number of Scheme Shareholders voting against the Scheme at the Court Meeting. Only Scheme Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as Scheme Shareholders for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees receives an instruction to vote both for and against the Scheme, it will counted as one Shareholder under the “for” and as one shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for the purpose of ascertaining whether a majority in number of Scheme Shareholders have approved the Scheme should make arrangements to withdraw their Scheme Shares (or a board lot) from CCASS and become registered as a member of the Company in their own name prior to the Meeting Record Date.

Notice of the Court Meeting is set out in Appendix IX to this Scheme Document. The Court Meeting will be held at 10:00 a.m. (Hong Kong time) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC.

General Meeting

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the General Meeting with respect to, (i) the special resolution to approve and give effect to (a) the Scheme and the associated reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, (b) immediately prior to the cancellation and extinguishment of the Scheme Shares taking effect, the allotment and issue to the Offeror of one new Share, (c) the issue to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one, and (d) the application of the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new ordinary shares issued to the Offeror and HoldCo pursuant to such special resolution; and (ii) the special resolution to approve the withdrawal of listing of the Shares. The Independent Shareholders will be entitled to attend and vote in person or by proxy at the General Meeting with respect to the ordinary resolution to approve the entering into of the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder.

The special resolutions described in the paragraph above will be passed if not less than 75% of the votes cast by the Shareholders, present and voting in person or by proxy at the General Meeting, are in favour of the special resolutions. The ordinary resolution described in the paragraph above will be passed if a majority of the votes cast by the Shareholders, present and voting in person or by proxy at the General Meeting, are in favour of the ordinary resolution.

At the General Meeting, the resolutions will be put to the vote by way of poll under article 72 of the Company's articles of association as required by Rule 13.39(4) of the Listing Rules. Each Shareholder present and voting, either in person or by proxy, will be entitled to vote all of such Shareholder's Shares in favour of (or against) the resolutions. Alternatively, such Shareholder may vote some of their Shares in favour of the resolutions and any of the balance of their Shares against the resolutions (and vice versa).

The Controlling Shareholders have indicated that if the Scheme is approved at the Court Meeting, those Shares held by each of them will be voted in favour of (i) the special resolution to approve and give effect to (a) the Scheme and the associated reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, (b) immediately prior to the cancellation and extinguishment of the Scheme Shares taking effect, the allotment and issue to the Offeror of one new Share, (c) the issue to the Offeror and HoldCo in proportion to the number of Scheme Shares in exchange of the Cash Alternative and Share Alternative, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme

Shares cancelled, minus one, and (d) the application of the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new ordinary shares issued to the Offeror and HoldCo pursuant to such special resolution; and (ii) the special resolution to approve the withdrawal of listing of the Shares, to be proposed at the General Meeting, and will abstain from voting on the ordinary resolution to approve the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder, insofar as is permitted under the applicable laws and regulations in each case.

Notice of the General Meeting is set out in Appendix X to this Scheme Document. The General Meeting will be held at 10:30 a.m. (Hong Kong time) (or immediately after the Court Meeting convened for the same day and place shall have been concluded or adjourned) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 12 July 2022 (Cayman Islands time). Further announcements will be made giving details of the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme by the Grand Court, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of Shares on the Stock Exchange.

22. ACTIONS TO BE TAKEN

Action to be taken by Shareholders

Court Meeting and General Meeting

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from 3 June 2022 to 10 June 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 2 June 2022.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Shares may obtain the relevant proxy form from the transferor or the website of the Stock Exchange if they wish to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof although it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting. The white form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be revoked by operation of law.**

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the General Meeting. We therefore strongly urge you to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting by no later than 7:00 p.m. on 10 June 2022. If all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Election Form

An election of the Cash Alternative or the Share Alternative may be made by Scheme Shareholders in connection with their respective shareholdings in the Company, and Scheme Shareholders shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names at the Scheme Record Date, and deliver the duly completed and

executed Election Form and for any Scheme Shareholder who will elect the Share Alternative, the KYC Documents required) to the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28 June 2022 or such later date and time as may be notified through announcement. Together with the lodging of a duly completed and executed Election Form, if a Scheme Shareholder wishes to elect for the Share Alternative, the Scheme Shareholder must also lodge the KYC Documents (which shall be in English or accompanied by an English translation which is certified as a true translation) to comply with the relevant anti-money laundering requirements of the British Virgin Islands.

No such election shall be valid (and in that case the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects. Any election of Share Alternative by a Scheme Shareholder should also be accompanied by KYC Documents or such additional evidence or documents as may be required by the Offeror and the Company for the purpose of complying with the relevant anti-money laundering requirements of the British Virgin Islands, failing which such election shall not be valid unless otherwise agreed with the Offeror and will instead receive the Cash Alternative if the Scheme becomes effective.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting and the General Meeting, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Proposal respectively. The Election Form is for Scheme Shareholders to elect the Cash Alternative or the Share Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement). The election is subject to the Scheme being sanctioned and becoming effective.

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. **An Election Form shall be irrevocable and incapable of being withdrawn unless the Offeror expressly consents in writing to such withdrawal or revocation.** The Offeror shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and in that case the relevant Scheme Shareholder will receive the Cash Alternative). In addition, the Offeror shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Offeror in its absolute discretion considers the omissions or errors to be immaterial. The Offeror shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

Any Scheme Shareholder (a) who has not returned an Election Form as described above before the prescribed time or such later date and time as may be notified through announcement, (b) who has returned an Election Form which is not duly completed or executed nor valid in accordance with the terms of the Scheme, or (c) who has returned an Election Form but has failed to submit such KYC Documents as required herein or by the Offeror, will receive the Cash Alternative subject to the Scheme being sanctioned and becoming effective.

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Share Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Save as provided in relation to HKSCC Nominees, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or the Share Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Scheme Record Date.

In respect of any Scheme Shares which are held by HKSCC Nominees, persons who are interested in such Scheme Shares should note that if they wish to elect for the Share Alternative in respect of such Shares, they would need to comply with the Single Consideration Election Measure as further set out below.

Actions to be taken by Beneficial Owners whose Shares are held through Trust or deposited in CCASS

Court Meeting and General Meeting

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated in "Part III – Expected Timetable" of this Scheme Document. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participants, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Registered Owner, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the General Meeting (as a Shareholder). You can become a Registered Owner by withdrawing all or any of your Shares from CCASS and

transferring and registering such Shares in your own name. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

Only Scheme Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as Scheme Shareholders for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. In accordance with the direction from the Grand Court, for the purpose of calculating the “majority in number”, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from CCASS Participants. For the purpose of the headcount test, if HKSCC Nominees Limited receives an instruction to vote both for and against the Scheme, it will be counted as one Shareholder under “for” and as one Shareholder under “against”. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Beneficial Owners who wish to individually vote or be counted for the purpose of ascertaining whether a majority in number of Scheme Shareholders have approved the Scheme should make arrangements to withdraw their Scheme Shares (or a board lot) from CCASS and become a Registered Owner of the Company in their own name prior to the Meeting Record Date.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BEFORE OR BE REPRESENTED AT THE HEARING OF THE PETITION IN THE GRAND COURT WHICH IS EXPECTED TO BE ON 11 JULY 2022, AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

Election of Cash Alternative or Share Alternative

Any Beneficial Owner should submit or make arrangements with his, her or its nominee or trustee to submit his/her/its election instruction to the CCASS Participant(s) through which he/she/it hold his/her/its Scheme Shares on or before such time as notified by his/her/its CCASS Participant(s) for the purpose of electing the Cash Alternative or Share Alternative in respect of all the Scheme Shares which he/she/it is interested in.

Furthermore, save as otherwise provided in this Scheme Document or in the Account Holder Form, an Account Holder who holds all or part of the Scheme Shares which such Account Holder is interested in through CCASS and wishes to elect for the Share Alternative in respect of all the Scheme Shares which such Account Holder is (or, if the Account Holder is a nominee or custodian, a Beneficial Owner is) interested in must also comply with the Single Consideration Election Measure, including but not limited to the completion, signing and returning of, no later than 4:30 p.m. on 28 June 2022 (the “**Form Cut-off Time**”), both (i) a copy of the Account Holder Form to the Company’s Share Registrar by email to is-suchuang_election@hk.tricorglobal.com, with Relevant CCASS Participants being copied in the same email; and (ii) the original of the Account Holder Form to the Company’s Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

FAILURE TO COMPLY WITH THE SINGLE CONSIDERATION ELECTION MEASURE WOULD RENDER THE ELECTION OF SHARE ALTERNATIVE BY SUCH ACCOUNT HOLDER (OR THE BENEFICIAL OWNER, AS APPROPRIATE) BEING REJECTED AND THE ACCOUNT HOLDER (OR THE BENEFICIAL OWNER, AS APPROPRIATE) WILL RECEIVE THE CASH ALTERNATIVE FOR ALL OF ITS INTERESTS IN THE SCHEME SHARES SUBJECT TO THE SCHEME BEING SANCTIONED AND BECOMING EFFECTIVE.

Actions to be taken by Optionholders

The Option Offer Letter is being sent to each Optionholder separately on the same date as this Scheme Document. Optionholders should refer to those letters, the form of which is set out in Appendix XI to this Scheme Document. Any Optionholder who wishes to accept the Option Offer must complete and return the duly completed and executed Form of Acceptance by 4:00 p.m. on 12 July 2022 (or such later date and time as may be notified to the Optionholders by the Offeror, CICC and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange), delivered to the Offeror, care of Suchuang Gas Corporation Limited at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, 215400 for the attention of the Company Secretarial Department of the Company and marked “Suchuang Gas Corporation Limited – Option Offer”. No acknowledgement of receipt of any Form of Acceptance or any other document will be given. The Optionholders should also note the instructions and other terms and conditions of the Option Offer printed on the Option Offer Letter and the Form of Acceptance.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING.

IF YOU WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, YOU SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF YOUR SHARES PRIOR TO THE MEETING RECORD DATE. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAM, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE GENERAL MEETING WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN – ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE. YOU SHOULD ALSO REMIND THE RELEVANT BENEFICIAL OWNERS THAT IF THEY WISH TO BE COUNTED INDIVIDUALLY IN THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, THEY SHOULD MAKE ARRANGEMENTS TO BECOME A REGISTERED OWNER OF SOME OR ALL OF THEIR SHARES.

IF YOU ARE AN OPTIONHOLDER, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO REFER TO THE TERMS AND CONDITIONS SET OUT IN THE OPTION OFFER LETTER AND RETURN A DULY COMPLETED FORM OF ACCEPTANCE IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE OPTION OFFER LETTER SHOULD YOU DECIDE TO ACCEPT THE OPTION OFFER. EACH OPTIONHOLDER HAS BEEN NOTIFIED OF THE EVENT REFERRED TO IN CLAUSE 15.2 OF THE SHARE OPTION SCHEME IN ACCORDANCE WITH THE SHARE OPTION SCHEME. ACCORDING TO CLAUSE 11.1(F) OF ALL SHARE OPTION SCHEME, THE SHARE OPTIONS SHALL LAPSE (TO THE EXTENT NOT ALREADY EXERCISED), IN THE CASE OF CLAUSE 15.2 OF THE SHARE OPTION SCHEME, ON THE EXPIRY OF THE 21-DAY PERIOD STATED THEREIN, PROVIDED THAT THE SCHEME BECOMES EFFECTIVE. THE LAPSE OF ANY SHARE OPTION(S) AFTER THE DATE ON WHICH THE OPTION OFFER IS MADE SHALL NOT IMPACT THE OPERATION AND VALIDITY OF THE OPTION OFFER AND ANY VALID ACCEPTANCE THEREOF.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

23. RECOMMENDATION

Your attention is drawn to the following:

- (i) the section headed “Recommendation” in the “Letter from the Board” set out in Part IV of this Scheme Document;
- (ii) the letter from the Takeovers Code IBC set out in Part V of this Scheme Document;
- (iii) the letter from the Listing Rules IBC set out in Part VI of this Scheme Document;
and
- (iv) the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document.

24. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, CICC, the Independent Financial Adviser, the Share Registrar or their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Group for each of the three (3) years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2020 and 30 June 2021. The figures for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 are extracted from the annual reports of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the figures for the six months ended 30 June 2020 and 30 June 2021 are extracted from the interim report or interim results announcement of the Company for the six months ended 30 June 2020 and 30 June 2021.

The auditor's reports issued by the auditor of the Company, Ernst & Young, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of the Group for each of the six months ended 30 June 2021.

Save as disclosed below, there are no other items of income or expenses which are material to the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

	For the year ended 31 December 2018 <i>(Audited)</i> RMB\$'000	For the year ended 31 December 2019 <i>(Audited)</i> RMB\$'000	For the year ended 31 December 2020 <i>(Audited)</i> RMB\$'000	For the six months ended 30 June 2020 <i>(Unaudited)</i> RMB\$'000	For the six months ended 30 June 2021 <i>(Unaudited)</i> RMB\$'000
Revenue	1,102,805	1,329,875	1,181,120	549,024	643,959
Cost of sales	(888,039)	(1,081,359)	(971,440)	(440,354)	(552,999)
Gross profit	214,766	248,516	209,680	108,670	90,960
Other income and gains, net	27,171	10,399	20,151	13,376	28,910
Selling and distribution costs	(11,990)	(13,187)	(15,845)	(5,836)	(10,894)
Administrative expenses	(85,052)	(82,208)	(86,286)	(42,156)	(39,909)
Impairment losses on financial and contract assets, net	902	(2,234)	(1,371)	(1,530)	(217,900)
Other expenses	(1,382)	(24,641)	(15,377)	(14,018)	(371,872)
Finance costs	(5,501)	(12,310)	(11,193)	(5,117)	(5,105)
Share of (losses)/profits of associates	7,099	580	(1,379)	(1,862)	(1,099)
Profit/(Loss) before tax	146,013	124,915	98,380	51,527	(526,909)
Income tax expense	(42,510)	(48,880)	(44,116)	(25,626)	37,691

	For the year ended 31 December 2018 <i>(Audited)</i> RMB\$'000	For the year ended 31 December 2019 <i>(Audited)</i> RMB\$'000	For the year ended 31 December 2020 <i>(Audited)</i> RMB\$'000	For the six months ended 30 June 2020 <i>(Unaudited)</i> RMB\$'000	For the six months ended 30 June 2021 <i>(Unaudited)</i> RMB\$'000
Profit/(Loss) for the year/period	103,503	76,035	54,264	25,901	(489,218)
Profit attributable to:					
Owners of the parent	98,621	70,150	54,421	25,538	(490,039)
Non-controlling interests	4,882	5,885	(157)	363	821
	<u>103,503</u>	<u>76,035</u>	<u>54,264</u>	<u>25,901</u>	<u>(489,218)</u>
Other comprehensive loss					
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(91)	(217)	993	(171)	(287)
	<u>(91)</u>	<u>(217)</u>	<u>993</u>	<u>(171)</u>	<u>(287)</u>
Other comprehensive loss for the year/period, net of tax	<u>(91)</u>	<u>(217)</u>	<u>993</u>	<u>(171)</u>	<u>(287)</u>
Total comprehensive income for the year/period attributable to:					
Owners of the parent	98,530	69,933	55,414	25,367	(490,326)
Non-controlling interests	4,882	5,885	(157)	363	821
	<u>103,412</u>	<u>75,818</u>	<u>55,257</u>	<u>25,730</u>	<u>(489,505)</u>
Total Dividend Declared	25,282	25,282	19,868	Nil	Nil
Dividends per Share (RMB)	0.028	0.028	0.022	Nil	Nil
Earnings per share attributable to ordinary equity holders of the parent					
- Basic					
- For Profit/(Loss) for the year/period (RMB)	<u>0.11</u>	<u>0.08</u>	<u>0.06</u>	<u>2.83</u>	<u>(54.26)</u>
- Diluted					
- For Profit/(Loss) for the year/period (RMB)	<u>0.10</u>	<u>0.08</u>	<u>0.06</u>	<u>2.83</u>	<u>(54.26)</u>

As stated in the Company's announcement dated 22 March 2022, due to certain deposit pledges over bank deposits and guarantees that two subsidiaries of the Company have entered into as disclosed in the Inside Information Announcements, and the resumption guidance issued by the Stock Exchange on 17 January 2022 and 13 April 2022, Ernst & Young, the auditors of the Company, need more time to collect the supporting documents and perform relevant audit procedures, which coupled with the effect caused by the COVID-19 outbreak, based on the information currently available to the Company, the Company was not able to complete the audit procedures on time. As the audit work has not yet been completed, the Company was not able to publish the annual results for the year ended 31 December 2021 on or before 31 March 2022 in accordance with Rule 13.49(1) of the Listing Rules.

The Company will publish the audited annual results as agreed with the Company's auditors as soon as practicable after the audit procedures have been completed.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 December 2018, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the "**2018 Financial Statements**"); (ii) audited consolidated financial statements of the Group for the year ended 31 December 2019, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the "**2019 Financial Statements**"); (iii) audited consolidated financial statements of the Group for the year ended 31 December 2020, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the "**2020 Financial Statements**"); and (iv) unaudited financial results of the Group for the six months ended 30 June 2021, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information (the "**2021 Interim Financial Statements**"). The 2018 Financial Statements, 2019 Financial Statements, 2020 Financial Statements and 2021 Interim Financial Statements are available on the websites below:

- (a) The 2018 Financial Statements are set out on pages 122 to 279 of the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), which was published on 30 April 2019. The 2018 Annual Report is posted on the Company's website <http://www.suchuanggas.com/> and the website of the Stock Exchange at <https://www.hkexnews.hk>. Please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430456.pdf>

- (b) The 2019 Financial Statements are set out on pages 131 to 291 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 24 April 2020. The 2019 Annual Report is posted on the Company’s website <http://www.suchuanggas.com/> and the website of the Stock Exchange at <https://www.hkexnews.hk>. Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401292.pdf>

- (c) The 2020 Financial Statements are set out on pages 141 to 307 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 28 April 2021. The 2020 Annual Report is posted on the Company’s website <http://www.suchuanggas.com/> and the website of the Stock Exchange at <https://www.hkexnews.hk>. Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800277.pdf>

- (d) The 2021 Interim Financial Statements are set out on pages 37 to 88 in the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 14 February 2022. The 2021 Interim Report is posted on the Company’s website <http://www.suchuanggas.com/> and the website of the Stock Exchange at <https://www.hkexnews.hk>. Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0214/2022021400079.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements and the 2021 Interim Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 28 February 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the indebtedness of the Group were shown as below:

Interest-bearing bank borrowings and lease liabilities

The interest-bearing bank borrowings and lease liabilities as at 28 February 2022 were as follows:

	<i>Notes</i>	As at 28 February 2022 RMB'000
Current		
Interest-bearing bank borrowings-secured and guaranteed	<i>(i)</i>	9,000
Interest-bearing bank borrowings-unsecured and unguaranteed	<i>(ii)</i>	60,000
Lease liabilities		<u>1,666</u>
		<u><u>70,666</u></u>
Non-current		
Interest-bearing bank borrowings-secured and guaranteed	<i>(i)</i>	31,860
Lease liabilities		<u>130</u>
		<u>31,990</u>
		<u><u>102,656</u></u>

Notes:

- (i) As at 28 February 2022, the interest-bearing bank borrowing amounting to RMB40,860,000 was guaranteed by the Company's subsidiary.
- (ii) As at 28 February 2022, the interest-bearing bank borrowing amounting to RMB60,000,000 was unsecured.

Contingent liabilities

Taicang Natural Gas was currently a defendant in a lawsuit brought by a party alleging the pipeline's quality issue with the compensation amount of RMB1,500,000. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation because the quality issue was not proved by any qualified inspection institution and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other cost.

Financial guarantees

As at 28 February 2022, the liability of financial guarantee contracts is amounting to RMB121,032,500.

As at 28 February 2022, Jiangsu Tengxu and Taicang Natural Gas, subsidiaries of the Company, had pledged certain bank deposits that they maintained at three different banks in the PRC (the “**Banks**” or a “**Bank**”) for an aggregate sum of RMB50,000,000 and RMB25,000,000, respectively, under several deposit pledge contracts (the “**Deposit Pledge Contracts**”) to guarantee the indebtedness of several companies (the “**Borrowers**” or a “**Borrower**”) for entering into bank acceptance agreements and working capital loan agreements between the respective Borrowers and the Banks. The latest expiration date of the Deposit Pledge Contracts was 26 April 2022. As at 28 February 2022, the aggregated indebtedness amount of the Borrowers withdrawn from the above Deposit Pledge Contracts was RMB80,000,000, which was guaranteed by the time deposits amounting to RMB75,000,000 of three subsidiaries of the Company to the Banks.

In addition, Taicang Natural Gas also entered into an agreement with a Bank to guarantee the bank acceptance agreements and the working capital loan agreements entered into between the Bank and the Borrower for a maximum amount of RMB137,500,000, of which RMB92,000,000 had been utilised by 28 February 2022. The management was also informed by the Bank that the Borrower had also entered into other bank acceptance agreements and working capital loan agreements with the Bank in accordance with other master guarantee agreements provided by third parties to the Borrower. However, the Bank has the priority to claim the guarantee payment to Taicang Natural Gas within the unutilised guarantee amount of RMB45,500,000 as at 28 February 2022 in accordance with above guarantee contract entered between Taicang Natural Gas and the Bank, if the Bank fails to recover the loss incurred from the Borrower’s other bank acceptance agreements and working capital loan agreements with the Bank under other master guarantee agreements provided by third parties.

On 11 March 2022, 15 March 2022 and 26 April 2022, Borrowers defaulted their obligation secured by the Deposit Pledge Contract, respectively. As a result, the relevant Banks enforced such Deposit Pledge Contract and set off the Borrower’s default against the Group’s deposit held by the Bank in the amount of RMB15,319,500, RMB10,213,000 and RMB50,000,000, respectively.

For details of the above, please refer to the Inside Information Announcements.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 28 February 2022, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

Taking into account the Group's internal resources and available banking facilities, and the effects of the disposal of the Disposal Group upon the Special Deal Completion, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Scheme Document. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in: (i) transmission and sale of pipeline natural gas business; (ii) natural gas pipeline construction and connection business; and (iii) comprehensive energy and environmental protection business.

As disclosed in the interim report of the Company for the six months ended 30 June 2021, a revenue of approximately RMB631.0 million was contributed by transmission and sale of natural gas business and natural gas pipeline construction and connection business which are the core business of the Group and are accounting for 98% of the Group's revenue. The loss attributable to the owners of the Company for the six months ended 30 June 2021 was RMB490.3 million which included impairment loss of assets of RMB 264.2 million and remeasurement of financial guarantee contracts of RMB322.5 million. The management of the Company considered that such losses do not materially affect the operation of the core business of the Group.

After disposing the non-core business under the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), the Board believes that the Group could focus more of the Group's resources in its core business, including the distribution and sale of piped natural gas business, the operation of compressed natural gas and liquefied natural gas refuelling station business and acting as the main contractor of construction and connection of gas pipelines in China. The Group has developed an extensive pipeline gas network within Taicang, Jiangsu Province with the exclusive right to sell and transmit piped natural gas to user in the area of Taicang City, representing 70% of the total area of Taicang City and covers more than 90% of the natural gas pipeline network in Taicang City in terms of length.

Since Jiangsu Province, a natural gas consumption powerhouse, and where the Group is located, has vigorously implemented the "coal-to-gas" policy and the gas power generation policy. The management believes the natural gas business will grow steadily in the near future.

Considering the construction pace of natural gas supply infrastructure in and around Jiangsu Province being far lower than the growth rate of market demand, and taking advantages of Taicang Port to construct liquefied natural gas ("LNG") receiving and storage facilities, the Group has cooperated with large LNG trade distributors and engaged them to acquire downstream users. The management believes that this could enable the Group to supply gas directly to downstream users, so as to maintain and increase its share in the downstream market.

Although the COVID-19 pandemic is still raging around the world, the Board and management will be more careful and prudent in managing the operations of the Group.

6. MATERIAL CHANGE

The Directors confirm that, save as the following matters, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), and up to and including the Latest Practicable Date:

- (1) the Proposal, the Scheme, the Special Deal Agreement, the Supplemental Agreement to Special Deal Agreement and the Pledge Documents, as set out in this Scheme Document;
- (2) as disclosed in the interim report of the Company dated 14 February 2022 for the six months ended 30 June 2021:
 - (a) the Group recorded loss attributable to owners of the parent of approximately RMB490.0 million for the six months ended 30 June 2021, decreased by approximately 20.2 times in comparison to the corresponding period of last year, which was primarily attributable to (i) the increase in impairment losses on financial and contract assets during the period; and (ii) the increase in other expenses;
 - (b) the Group recorded approximately 116.1% increase in other income and gains for the six months ended 30 June 2021 in comparison to the corresponding period of last year, which was primarily attributable to an increase in fair value gain as a result of the disposal of equity investments;
 - (c) the Group recorded approximately 86.7% increase in selling and distribution costs for the six months ended 30 June 2021, as compared to the corresponding period of last year, which was primarily attributable to an increase in transportation fee for LNG as a result of the new launch of the LNG ISO container in the first half of 2021;
 - (d) the Group recorded an increase of approximately 142.4 times in impairment losses on financial and contract assets for the six months ended 30 June 2021, as compared to the corresponding period of last year, which was mainly due to the impairment of trade receivables and other receivables of approximately RMB108.9 million and approximately RMB105.5 million, respectively;
 - (e) the Group recorded an increase of approximately 26.5 times in other expenses for the six months ended 30 June 2021, as compared to the corresponding period of last year, which was mainly due to (i) the remeasurement of financial guarantee contracts of approximately RMB322.5 million in relation to the certain pledged bank deposit and a guarantee granted to certain third parties; and (ii) the impairment of goodwill of RMB41.5 million;

- (f) the Group recorded approximately 35.5% increase in the total liabilities as at 30 June 2021 in comparison to as at 31 December 2020, which was mainly due to the increase in interest-bearing bank and other borrowings and the increase in other payables and accruals during the period;
 - (g) the Group recorded approximately 32.7% decrease in net assets as at 30 June 2021 in comparison to as at 31 December 2020; and
 - (h) the Group recorded approximately 32.6% decrease in the interest-bearing bank and other borrowings as at 30 June 2021 in comparison to as at 31 December 2020, which was mainly due to the repayment of bank loan during the period;
- (3) on 28 January 2021, Taicang Natural Gas, an indirect wholly owned subsidiary of the Company as the borrower, entered into a loan facility with a bank, pursuant to which the bank agreed to extend an EUR3.8 million credit facility, such borrowing had been fully settled on 11 January 2022;
 - (4) on 25 June 2021, Changshu City Suyu Natural Gas Transmission Co., Ltd. (常熟市蘇虞天然氣輸配有限公司), an indirect 51% owned subsidiary of the Company, as the borrower, entered into a loan facility with a bank, pursuant to which the bank agreed to grant a loan up to RMB20 million until 24 June 2022;
 - (5) on 2 December 2021, Taicang Natural Gas, as the borrower, drawn down a loan of RMB40 million pursuant to the loan facility entered into between Taicang Natural Gas and a bank on 28 January 2021 as set out in paragraph (3) above;
 - (6) during the period between 11 November 2021 to 14 February 2022, Suchuang Shanghai had repaid RMB25 million of the Suchuang Shanghai Loan;
 - (7) the Group had made impairment of (i) intangible assets (天然氣燃氣行業虛擬仿真綜合應用平台) of approximately RMB2.4 million; (ii) loan to an associate of approximately RMB3.5 million; (iii) investment in an associate of RMB1.9 million; and (iv) loss in financial and contract assets of approximately RMB214.4 million in relation to an impairment of trade and other receivables during the period ended 30 June 2021;
 - (8) as disclosed in the Inside Information Announcement dated 30 September 2021, (i) Jiangsu Tengxu, an indirect wholly-owned subsidiary of the Company and Taicang Natural Gas had pledged certain bank deposits for an aggregate sum of RMB202.0 million and RMB113.1 million under several deposit pledge contracts; (ii) Taicang Natural Gas entered into an electronic commercial acceptance bill with Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司) (“**Shanghai Pudong**”) in the amount of RMB50 million; and (iii) Taicang Natural Gas entered into a guarantee with a bank to guarantee for a maximum amount of RMB137.5 million. Shanghai Pudong was owned as to 90% by Taicang Suchuang (being one of the borrowers in relation to the Relevant Transactions), which was owned as to 12.5% by an entity controlled by Shanghai Honglida, which was one of the Entrustment Minority Shareholders;

- (9) as disclosed in the Inside Information Announcement dated 30 September 2021, the bank deposit pledged by Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), an indirect wholly-owned subsidiary of the Company, had been released;
- (10) as disclosed in the Inside Information Announcement dated 9 November 2021, a borrower defaulted on the obligation under a bank acceptance bill acceptance agreement secured by the deposit pledge contract dated 27 October 2020 entered into by Jiangsu Tengxu and therefore, a deposit of RMB50 million of Jiangsu Tengxu held with the bank was used to set off against the aforesaid default;
- (11) as disclosed in the Inside Information Announcement dated 22 November 2021, a deposit in the amount of RMB20,053,333.33 held by Taicang Natural Gas had been forfeited by a bank pursuant to the terms of a deposit pledge contract entered into by Taicang Natural Gas on 11 November 2020;
- (12) as disclosed in the Inside Information Announcement dated 15 December 2021, a deposit held by Jiangsu Tengxu in the amount of RMB20 million had been forfeited pursuant to the terms of the deposit pledge contract dated 9 December 2020 entered by Jiangsu Tengxu;
- (13) as disclosed in the Inside Information Announcement dated 15 December 2021, the six different deposit pledge contracts for bank deposits in the aggregate sum of RMB142 million entered into by Taicang Natural Gas from March 2020 to March 2021 had expired and none of the aforementioned deposits were forfeited as the relevant third party borrowers had repaid the loans;
- (14) as disclosed in the Inside Information Announcement dated 21 December 2021, a deposit held by Jiangsu Tengxu in the amount of RMB40 million had been forfeited pursuant to the terms of the deposit pledge contract dated 15 December 2020 entered into by Jiangsu Tengxu;
- (15) as disclosed in the Inside Information Announcement dated 21 December 2021, Taicang Natural Gas has settled an acceptance bill in the amount of RMB50 million that was due on 17 December 2021;
- (16) as disclosed in the Inside Information Announcement dated 28 December 2021, two deposits in the respective amount of RMB20,005,555.56 and RMB20,008,333.33 held by Taicang Natural Gas had been forfeited by the relevant bank pursuant to the terms of two deposit pledge contracts entered into by Taicang Natural Gas on 24 December 2020;
- (17) as disclosed in the Inside Information Announcement dated 11 January 2022, a deposit in the amount of RMB27,075,000 held by Taicang Natural Gas had been forfeited by a bank pursuant to the terms of a deposit pledge contract entered into by Taicang Natural Gas on 8 January 2021;

- (18) as disclosed in the Inside Information Announcement dated 8 February 2022, a deposit in the amount of RMB41,999,876.96 held by Jiangsu Tengxu had been forfeited by a bank pursuant to the terms of a deposit pledge contract dated 5 August 2021 entered into by Jiangsu Tengxu;
- (19) as disclosed in the Inside Information Announcement dated 17 March 2022, deposits in the respective amount of RMB15,000,000.00 and RMB10,029,638.89 held by Taicang Natural Gas had been forfeited by the relevant bank pursuant to the terms of the respective deposit pledge contracts entered by Taicang Natural Gas on 11 March 2021 and 15 March 2021 respectively; and
- (20) as disclosed in the Inside Information Announcement dated 28 April 2022, a deposit in the amount of RMB50 million held by Jiangsu Tengxu had been forfeited by a bank pursuant to the terms of a deposit pledge contract dated 27 April 2021 entered into by Jiangsu Tengxu.

INDEPENDENT AUDITOR’S REPORT
TO THE DIRECTORS OF SUCHUANG GAS CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Argus Holding Corporation (the “Company”) and its subsidiaries (the “Group”) set out on pages IIA-1 to IIA-28, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month ended 30 June 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Company as at and for the six months ended 30 June 2021 are prepared, in all material aspects in accordance with the basis of presentation basis set out in note 2.1 to the consolidated financial statements.

Emphasis of matter – Basis of preparation and restriction on use

We draw attention to note 2.1 to the consolidated financial statements, which describes the basis of preparation. On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited (“China Resources Gas”) in relation to the proposed take-private of Suchuang Gas and the announcement also involved the disposal of the Group. The consolidated financial statements of the Group are prepared to assist the directors of Suchuang Gas to evaluate the financial performance and position of the Group referred to the above transaction. As a result, the consolidated financial statements may not be suitable for another purpose. Our auditor’s report is intended solely for the inclusion in the scheme document (the “Scheme Document”) of Suchuang Gas dated 4 May 2022 in connection with the proposed take-private of Suchuang Gas by the indirect controlling shareholder of Suchuang Gas and China Resources Gas. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements section* of our report. We are independent of the Group in accordance with the Code of Ethics for Certified Public Accountants (the “Code”) issued by the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the presentation basis stated in note 2.1 to the consolidated financial statements, and for such internal control as management determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Hua Ming LLP

Shanghai Branch

4 May 2022

ARGUS HOLDING CORPORATION
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	For the six months ended 30 June 2021 USD'000
Revenue	4	15
Cost of sales		<u>(27)</u>
Gross profit		(12)
Other income and gains	5	106
Administrative expenses		(605)
Other expenses		<u>(130)</u>
Loss before tax	6	<u>(641)</u>
Loss and total comprehensive loss for the period		<u><u>(641)</u></u>
Attributable to:		
Owners of the parent		(642)
Non-controlling interests		<u>1</u>
		<u><u>(641)</u></u>

Su Yi, *Director*

4 May 2022

ARGUS HOLDING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 <i>USD'000</i>
Asset		
Non-current assets		
Property, plant and equipment	7	26
Debt investments at fair value through profit or loss	9	14,588
		<u>14,614</u>
Current assets		
Prepayments, other receivables and other assets	10	6
Cash and cash equivalents	11	158
		<u>164</u>
Total assets		<u><u>14,778</u></u>
Equity and liabilities		
Equity		
Issued capital	14	–
Share Premium	14	3,500
Reserves		<u>(2,500)</u>
Equity attributable to owners of the parent		1,000
Non-controlling interests		<u>(1)</u>
Total equity		<u><u>999</u></u>
Current liabilities		
Other payables and accruals		6
Interest-bearing bank and other borrowings	12	42
Due to holding company	13	13,731
		<u>13,779</u>
Total liabilities		<u><u>13,779</u></u>
Total equity and liabilities		<u><u>14,778</u></u>

ARGUS HOLDING CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the parent				Non-controlling interests	Total equity
	Issued capital	Share premium	Accumulated losses	Total		
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>		
At 1 January 2021	–	–	(1,858)	(1,858)	(2)	(1,860)
Loss for the period	–	–	(642)	(642)	1	(641)
Capital contribution from shareholders	–	3,500	–	3,500	–	3,500
At 30 June 2021	–	3,500	(2,500)	1,000	(1)	999

ARGUS HOLDING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	For the six months end 30 June 2021 USD'000
Cash flows from operating activities		
Loss before tax		(641)
Adjustments for:		
Depreciation of property, plant and equipment	7	18
Amortisation of intangible assets	8	15
Impairment of property, plant and equipment	7	55
Impairment of intangible assets	8	75
Fair value gain on debt investment at fair value through profit or loss	5	<u>(24)</u>
		(502)
Decrease in prepayments, other receivables and other assets		27
Increase in other payables and accruals		<u>60</u>
Net cash flows used in operating activities		<u>(415)</u>
Cash flows from financing activities		
New interest-bearing bank and other borrowings		42
Loan received from holding company		<u>200</u>
Net cash flows from financing activities		<u>242</u>
Net decrease in cash and cash equivalents		(173)
Cash and cash equivalents at beginning of period		<u>331</u>
Cash and cash equivalents at the end of period		<u><u>158</u></u>

ARGUS HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2021

1. CORPORATE AND GROUP INFORMATION

Argus Holding Corporation (the “Company”) is a limited liability company incorporated in the United States. Its registered office is located at 1370 Broadway, 5th Floor, Site 5106, New York, NY 10018, United States.

During the period, the principal activity of the Company is investment holding.

In the opinion of the directors of the Company, the parent company of the Company is China Suchuang Gas Corporation Limited., and its registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KYI-1108, Cayman Islands. The ultimate controlling shareholders of the Company are Mr. Su Aping (蘇阿平) and Ms. Zhu Yaying (朱亞英) (together known as the “Controlling Shareholders”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Argus LNG LLC (“Argus LNG”)	United States 14 May 2018 Limited liability company	United States dollar (“USD”) 100	100%	–	LNG facility investment
Argus Midwest Resources LLC (“Argus Midwest”)	United States 10 May 2018 Limited liability company	United States dollar (“USD”) 10,000	100%	–	Natural Gas upstream assets investment
Goldenwoods Development LLC (“Goldenwoods”)	United States 29 April 2021 Limited liability company	United States dollar (“USD”) 0	100%	–	LNG facility investment
Vulcan Resources, LLC (“Vulcan”)	United States 15 July 2018 Limited liability company	United States dollar (“USD”) 1,000	60%	–	LNG facility investment

Argus World LNG LLC, as a subsidiary of the company before, was deregistered in May 2021.

2.1 BASIS OF PREPARATION

The Company and its subsidiaries (the “Group”) had net current liabilities of USD13,615,000 as at 30 June 2021, among which included the balance due to related parties amounting to USD13,731,000. The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities position as Total Honest International Investment Ltd., a company owned by Ms Zhu Yaying, one of the Controlling Shareholder, has undertaken to provide continuing financial support to enable the Group to meet its obligations as and when they fall due for the period of not less than 12 months since 30 June 2021. Therefore, the Group will have sufficient funds to meet its daily working capital requirements for not less than 12 months since 30 June 2021, and will not encounter going concern problems due to inadequate working capital.

On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the indirect controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited (“China Resources Gas”) in relation to the proposed take-private of Suchuang Gas, and the proposal involved the disposal of the Group.

The consolidated financial statements of the Group have been prepared in accordance with the significant accounting policies adopted by the Company which are set out in note 2.4 below, except that the comparative figures as at 31 December 2020 and for the six months ended 30 June 2020 have not been prepared.

The consolidated financial statements have been prepared on a historical cost basis, except for equity investments, debt investments and financial assets which have been measured at fair value. The consolidated financial statements are presented in United States Dollar (“US\$”) and all values are rounded to the nearest thousand, except when otherwise indicated.

The consolidated financial statements are prepared assist the directors of Suchuang Gas to evaluate the financial performance and position of the Group referred to the above transaction. As a result, the consolidated financial statements may not be suitable for another purpose.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the period ended 30 June 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated).

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> (early adopted)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 or IAS 39 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and the amendment had no impact on the Group’s financial statements for the period ended 30 June 2021.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

- (c) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The Group early adopted the amendment from 1 January 2021, and the amendment had no impact on the Group’s financial statements for the period ended 30 June 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{2, 4}
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS9 – Comparative Information</i> ²
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but is available for adoption

⁴ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to *the Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its debt investments and financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment

loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	20.00%
Motor vehicles	14.29%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets include purchased mineral rights of oil and natural gas, which is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, interest-bearing bank borrowings and other amounts due to holding company.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of oil*

Revenue from the sale of oil is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the oil.

Borrowing costs

Borrowing costs are expensed in the statement of profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to the valuation model is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 20 for further disclosures.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

(i) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and fixed assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For the period ended 30 June 2021, impairment losses on property, plant and equipment and intangible assets amounting to USD55,000, and USD75,000, respectively have been recognized in profit or loss as set out in note 7 and note 8 to the financial statements, respectively.

4. REVENUE

An analysis of the Group's revenue is as follows:

	For the six months ended 30 June 2021 USD'000
Revenue from contracts with customers	15
<u>Revenue from contracts with customers</u>	
Types of goods or services	
Sales of Oil	15
Timing of revenue recognition	
Goods or services transferred at a point in time	15

There is no revenue recognised in the current reporting period that were included in contract liabilities at the beginning of the reporting period or recognised from performance obligations satisfied in previous periods.

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of Oil

The performance obligation is satisfied upon delivery of the Oil, and the payments are made in advance or due within 30 to 90 days from delivery for different customers.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of oil are a part of contracts that have original expected duration of one year or less.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June 2021 USD'000
Fair value gains on debt investment at fair value through profit or loss	24
Other	82
	<u>106</u>

6. LOSS BEFORE TAX

	For the six months ended 30 June 2021 USD'000
Depreciation of property, plant and equipment (note 7)	18
Amortisation of intangible assets (note 8)	15
Impairment of property, plant and equipment (note 7)	55
Impairment of intangible assets (note 8)	75
Fair value gain on debt investment at fair value through profit or loss (note 5)	(24)
Employee benefit expense	272
	<u>272</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>USD'000</i>	Motor vehicles <i>USD'000</i>	Total <i>USD'000</i>
Cost:			
At 1 January 2021 and 30 June 2021	125	58	183
Accumulated depreciation:			
At 1 January 2021	58	26	84
Charge for the period	12	6	18
At 30 June 2021	70	32	102
Impairment:			
At 1 January 2021	–	–	–
Impairment during the period	55	–	55
At 30 June 2021	55	–	55
Net carrying amount:			
At 30 June 2021	–	26	26

8. INTANGIBLE ASSETS

	Software copyrights <i>USD'000</i>
Costs:	
At 1 January 2021 and 30 June 2021	150
Accumulated amortisation:	
At 1 January 2021	60
Provided during the period	15
At 30 June 2021	75
Impairment:	
At 1 January 2021	–
Impairment during the period	75
At 30 June 2021	75
Net book value:	
At 30 June 2021	–

9. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 <i>USD'000</i>
Debt investment, at fair value	14,588

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 <i>USD'000</i>
Deposits and other receivables	6

	30 June 2021 <i>USD'000</i>
Classified as:	
Current	6

Deposits and other receivables mainly represent deposits with suppliers.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amount. As at 30 June 2021, the loss allowance was assessed to be minimal.

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

11. CASH AND CASH EQUIVALENTS

	30 June 2021 <i>USD'000</i>
Cash and cash equivalents	158

The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents are approximate to their fair values.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 <i>USD'000</i>
Unsecured bank loans	42

The average effective interest rate of the group's borrowings in the six months ended 30 June 2021 was 1%.

13. BALANCES WITH RELATED PARTIES

	30 June 2021 <i>USD'000</i>
Due to holding Company	13,731

The holding Company provides funds to the Group to supporting their operating and investing activities. The funds are free-interest and has no maturity date.

14. ISSUED CAPITAL AND REVERSES

Authorised shares	30 June 2021 <i>USD'000</i>
<i>Issued and fully paid:</i>	
1,535 ordinary shares	–

A summary of the movements in the Group's share capital is as follows:

	Number of Shares in issue	Share Capital <i>USD'000</i>
At 1 January 2021	1500	–
New issues	35	–
At 30 June 2021	1,535	–
Share premium		<i>USD'000</i>
At 1 January 2021		–
Issuance of shares		3,500
At 30 June 2021		3,500

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the period, the Company had non-cash additions to capital of USD3,500,000, in respect of 35 common stock shares, USD100,000 per share by means of the net-off of the payable balance due to holding company.

(b) Changes in liabilities arising from financing activities

	Due to holding company <i>USD'000</i>	Interest-bearing bank and other borrowings <i>USD'000</i>
At 1 January 2021	17,031	–
Changes from financing cash flows	200	42
Transfer to share premium	(3,500)	–
At 30 June 2021	13,731	42

16. CONTINGENT LIABILITIES

There have been no significant contingent liabilities as at 30 June 2021.

17. COMMITMENTS

There have been no commitments as at 30 June 2021.

18. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Company
Suchuang Gas Corporation Limited ("Suchuang Gas")	The Holding Company

- (b) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had no material transactions with related parties.

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

June 30 2021

Financial assets

	Financial asset at fair value through profit or loss Mandatorily designated as such USD'000	Financial assets at amortised cost USD'000	Total USD'000
Debt investments at fair value through profit or loss	14,588	–	14,588
Prepayments, other receivables and other assets	–	6	6
Cash and cash equivalents	–	158	158
	<u>14,588</u>	<u>164</u>	<u>14,752</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Other payables and accruals	6
Interest-bearing bank and other borrowings	42
Due to holding company	<u>13,731</u>
	<u>13,779</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

June 30 2021

Financial assets

	As at June 30 2021	
	Carrying amounts <i>USD'000</i>	Fair values <i>USD'000</i>
Debt investments at fair value through profit or loss	<u>14,588</u>	<u>14,588</u>

Management has assessed that the fair values of cash and cash equivalents, financial assets included in other receivables, financial liabilities included in other payables and accruals and interest-bearing bank and amount due to holding company approximate to their carrying amounts largely due to the short term maturities of these instruments as at 30 June 2021.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required by fair value measurement are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

Set out below is a summary of significant unobservable inputs to the valuation of investments at fair value in Level 3 at 30 June 2021

	30 June 2021	Fair value hierarchy	Valuation technique and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets					
Debt investment at fair value through profit or loss	Non-listed Debt securities	Level 3	Backsolve from the most recent transaction price	Financing probability	The higher the probability, the higher the valuation

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

Financial assets

	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
Debt investments at fair value through profit or loss	–	–	14,588	14,588

The movements in fair value measurements within Level 3 during the period is as follows:

	For the six months ended 30 June 2021 USD'000
Debt investment at fair value through profit or loss At 1 January	14,564
Gain on fair value change	24
	<u>14,588</u>

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value at the end of the period.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 30 June 2021, the Group's interest-bearing bank borrowing are based on fixed rate, therefore, the Group had no interest rate risk. the Group's exposure to the risk of changes in market interest rates has been assessed as inconsequential.

Maximum exposure and period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 30 June 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs		Lifetime ECLs		Simplified approach USD'000	Total USD'000
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000			
Financial assets included in prepayments, other receivables and other assets						
– Normal*	6	–	–	–	–	6
Cash and bank						
– Not yet past due	158	–	–	–	–	158
	<u>164</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>164</u>

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The maturity profile of the Group's financial liabilities as at 30 June 2021, based on the contractual undiscounted payments, was as follows:

	On demand USD'000	Within one year USD'000	Within two to five years USD'000	Over five years USD'000	Total USD'000
Other payables and accruals	–	6	–	–	6
Interest-bearing bank and other borrowings	–	42	–	–	42
Due to holding company	13,731	–	–	–	13,731
	<u>13,731</u>	<u>48</u>	<u>–</u>	<u>–</u>	<u>13,779</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by capital. The Group's net debt consists of interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents total equity.

At the end of the period, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	30 June 2021
	<i>USD'000</i>
Interest-bearing bank and other borrowings	42
Less: Cash and cash equivalents	<u>(152)</u>
Net debt	<u>(110)</u>
Total equity	<u>999</u>
Net debt to equity ratio	N/A*

* The Group's balance of cash and cash equivalents exceeded the interest-bearing bank and other borrowings, as such, no gearing ratio was presented.

22. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period except that the loan received from the holding company with an amount of USD150,000 on 23 July 2021.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of Suchuang Gas on 4 May 2022.

INDEPENDENT AUDITOR’S REPORT
TO THE DIRECTORS OF SUCHUANG GAS CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the financial statements of Suchuang Dunhua Environmental Technology Company Limited (the “Company”) set out on pages IIB-1 to IIB-10, which comprise the statement of financial position as at 30 June 2021, and the statement of changes in equity for the six months ended 30 June 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Company as at and for the six months ended 30 June 2021 are prepared, in all material aspects in accordance with the basis of presentation basis set out in note 2.1 to the financial statements.

Emphasis of matter – Basis of preparation and restriction on use

We draw attention to note 2.1 to the financial statements, which describes the basis of preparation. On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited (“China Resources Gas”) in relation to the proposed take-private of Suchuang Gas and the announcement also involved the disposal of the Company. The financial statements of the Company are prepared to assist the directors of Suchuang Gas to evaluate the financial position of the Company referred to the above transaction. As a result, the financial statements may not be suitable for another purpose. Our auditor’s report is intended solely for inclusion in the scheme document (the “Scheme Document”) of Suchuang Gas dated 4 May 2022 in connection with the proposed take-private of Suchuang Gas by the indirect controlling shareholder of Suchuang Gas and China Resources Gas. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the presentation basis stated in note 2.1 to the financial statements, and for such internal control as management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Certified Public Accountants

Hong Kong

4 May 2022

**SUCHUANG DUNHUA ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	<i>Notes</i>	30 June 2021 <i>HKD</i>
Asset		
Current assets		
Amount due from holding company	3	<u>100</u>
Total assets		<u><u>100</u></u>
Equity and liabilities		
Equity		
Share capital	4	<u>100</u>
Total equity		<u><u>100</u></u>
Total equity and liabilities		<u><u>100</u></u>

Su Yi, Director

4 May 2022

**SUCHUANG DUNHUA ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<i>Notes</i>	Share capital <i>HKD</i>
At 1 January 2021 and 30 June 2021	4	<u>100</u>

**SUCHUANG DUNHUA ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
30 JUNE 2021**

1. CORPORATE INFORMATION

Suchuang Dunhua Environmental Technology Company Limited (the “Company”) is a limited liability company incorporated in the Hong Kong. Its registered office is located at 30th Floor, One Taikoo Place, 979 King’s Road, Hong Kong. The company was registered in September 2020, no operation activities carried out by the Company since incorporation to the end of the period.

In the opinion of the directors of the Company, the parent company of the Company is Suchuang Gas Corporation Limited, and its registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KYI-1108, Cayman Islands. The ultimate controlling shareholders of the Company are Mr. Su Aping (蘇阿平) and Ms. Zhu Yaying (朱亞英) (together known as the “Controlling Shareholders”).

2.1 BASIS OF PREPARATION

On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the indirect controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited (“China Resources Gas”) in relation to the proposed take-private of Suchuang Gas, and the proposal involved the disposal of the Company.

The financial statements of the Company have been prepared in accordance with the significant accounting policies adopted by the Company which are set out in note 2.4 below, except that the comparative figures as at 31 December 2020 and for the period from the date of incorporation to 31 December 2020 have not been prepared.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Hong Kong Dollar (“HKD”).

The financial statements are prepared assist the directors of Suchuang Gas to evaluate the financial performance and position of the Company referred to the above transaction. As a result, the financial statements may not be suitable for another purpose.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated).

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> (early adopted)

The amendments are not expected to have any significant impact on the Company’s financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28(2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 4}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
<i>Annual Improvements to HKFRS Standards 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

- ¹ Effective for annual periods beginning on or after 1 January 2022
- ² Effective for annual periods beginning on or after 1 January 2023
- ³ No mandatory effective date yet determined but is available for adoption
- ⁴ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The amendments are not expected to have any significant impact on the Company’s financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or close member of that person’s family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade and notes receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the company initially 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and notes receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. BALANCES WITH RELATED PARTIES

	30 June 2021 HKD
Amount due from the holding company	100
	100

4. SHARE CAPITAL

	30 June 2021 HKD
Issued capital	100
	100

5. CONTINGENT LIABILITIES

There have been no significant contingent liabilities as at 30 June 2021.

6. COMMITMENTS

There have been no commitments as at 30 June 2021.

7. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

June 30 2021

Financial assets

	Financial assets at amortised cost HKD
Amount due from the holding company	<u>100</u>

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments mainly include amount due from holding company, which arise directly from its shareholders.

The main risk arising from the Company's financial instruments is credit risk. The Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing the risk which is summarised below:

Maximum exposure and period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 30 June 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	HKD	HKD	HKD	HKD	HKD	HKD
Amount due from the holding company	<u>100</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>100</u>

9. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of Suchuang Gas on 4 May 2022.

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF SUCHUANG GAS CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the pro-forma consolidated financial statements of Suchuang Gas (Shanghai) Co., Ltd. (the “Company”) (“蘇創燃氣(上海)有限公司”) and its subsidiaries excluding Kunshan Anda Natural Gas Development Co., Ltd. (“Kunshan Anda”) (the “Group”) set out on pages IIC-1 to IIC-47, which comprise the pro-forma consolidated statement of financial position as at 30 June 2021, the pro-forma consolidated statement of profit or loss and other comprehensive income, the pro-forma consolidated statement of changes in equity and the pro-forma consolidated statement of cash flows for the six months ended 30 June 2021, and notes to the pro-forma financial statements, including a summary of significant accounting policies (together “the Pro-forma Financial Statements”).

In our opinion, the Pro-forma Financial Statements of the Company as at and for the six months ended 30 June 2021 are prepared, in all material aspects, in accordance with the basis of presentation set out in note 2.1 to the Pro-forma Financial Statements.

Emphasis of matter – Basis of preparation and restriction on use

We draw attention to note 2.1 to the Pro-forma Financial Statements, which describes the basis of preparation. On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the indirect controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited (“China Resources Gas”) in relation to the proposed take-private of Suchuang Gas, and the announcement also involved the disposal of the Group. The Pro-forma Financial Statements are prepared to assist the directors of Suchuang Gas to evaluate the financial performance and position of the Group referred to the above transaction. As a result, the Pro-forma Financial Statements may not be suitable for another purpose. Our auditor’s report is intended solely for inclusion in the scheme document (the “Scheme Document”) of Suchuang Gas dated 4 May 2022 in connection with the proposed take-private of Suchuang Gas by the indirect controlling shareholder of Suchuang Gas and China Resources Gas. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Pro-forma Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Certified Public Accountants (the “Code”) issued by the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the Pro-forma Financial Statements

Management is responsible for the preparation of the Pro-forma Financial Statements in accordance with the presentation basis stated in note 2.1 to the Pro-forma Financial Statements, and for such internal control as management determine is necessary to enable the preparation of the Pro-forma Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pro-forma Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Pro-forma Financial Statements

Our objectives are to obtain reasonable assurance about whether the Pro-forma Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Pro-forma Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Pro-forma Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Pro-forma Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the pro-forma financial information of the entities or business activities within the Group to express an opinion on the Pro-forma Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Hua Ming LLP
Shanghai Branch

4 May 2022

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

**THE PRO-FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<i>Notes</i>	For the six months ended 30 June 2021 RMB'000
REVENUE	5	9,276
Cost of sales		<u>(4,369)</u>
Gross profit		4,907
Other income and gains	6	6,014
Selling and distribution costs		(58)
Administrative expenses		(2,790)
Impairment losses on financial assets, net		(44,251)
Other expenses		(17,263)
Finance costs	8	(355)
Share of losses of associates		<u>(3,605)</u>
LOSS BEFORE TAX	7	(57,401)
Income tax expense	9	<u>673</u>
LOSS FOR THE PERIOD		<u><u>(56,728)</u></u>
Attributable to:		
Owners of the parent		(57,721)
Non-controlling interests		<u>993</u>
		<u><u>(56,728)</u></u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		
Attributable to:		
Owners of the parent		(57,721)
Non-controlling interests		<u>993</u>
		<u><u>(56,728)</u></u>

Su Yi, Director

4 May 2022

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

**THE PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	<i>Notes</i>	30 June 2021 <i>RMB'000</i>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	<i>11</i>	122,147
Right-of-use assets	<i>12</i>	4,120
Investments in associates	<i>15</i>	42,125
Equity investments at fair value through profit or loss	<i>16</i>	19,504
Deferred tax assets	<i>17</i>	3,027
Other non-current assets	<i>18</i>	9,273
		<u>200,196</u>
CURRENT ASSETS		
Inventories	<i>19</i>	1,232
Prepayments, other receivables and other assets	<i>18</i>	4,513
Amounts due from related parties	<i>20</i>	5,335
Financial assets at fair value through profit or loss	<i>21</i>	10,000
Cash and cash equivalents	<i>23</i>	4,557
		<u>25,637</u>
TOTAL ASSETS		<u><u>225,833</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	<i>26</i>	2,000
Reserves	<i>27</i>	(57,342)
		<u>(55,342)</u>
Equity attributable to owners of the parent		<u>14,224</u>
Non-controlling interests		<u>14,224</u>
TOTAL EQUITY		<u><u>(41,118)</u></u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	<i>24</i>	37,260
Deferred tax liabilities	<i>17</i>	7
		<u>37,267</u>
CURRENT LIABILITIES		
Other payables and accruals	<i>25</i>	10,311
Amounts due to related parties	<i>20</i>	209,038
Interest-bearing bank and other borrowings	<i>24</i>	10,335
		<u>229,684</u>
TOTAL LIABILITIES		<u><u>266,951</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>225,833</u></u>

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

**THE PRO-FORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Attributable to owners of the parent					Total equity RMB'000
	Share capital RMB'000	Statutory reserve fund* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2021	2,000	1,000	(621)	2,379	13,231	15,610
Loss for the period	—	—	(57,721)	(57,721)	993	(56,728)
Total comprehensive loss for the period	—	—	(57,721)	(57,721)	993	(56,728)
At 30 June 2021	<u>2,000</u>	<u>1,000</u>	<u>(58,342)</u>	<u>(55,342)</u>	<u>14,224</u>	<u>(41,118)</u>

* These reserve accounts comprise the consolidated reserves of negative RMB57,342,000 in the pro-forma consolidated statement of financial position.

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

**THE PRO-FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<i>Notes</i>	For the six months ended 30 June 2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(57,401)
Adjustments for:		
Finance costs	8	355
Share of losses of associates		3,605
Dividend income	6	(4,250)
Interest income	6	(1,761)
Fair value losses:		
Equity investments at fair value through profit or loss	7	369
Depreciation of property, plant and equipment	7	163
Depreciation of right-of-use assets	7	328
Amortisation of other intangible assets	7	234
Impairment of goodwill	7	5,625
Impairment of other intangible assets	7	5,315
Impairment of investments in an associate	7	5,954
Impairment of debt instruments at amortised cost	7	9,968
Impairment of amount due from related parties	7	34,283
		<hr/>
Increase in prepayments, other receivables and other assets		(198)
Increase in inventories		(1,232)
Increase in amounts due from other related parties		(81)
Increase in amounts due to other related parties		5,904
Increase in other payables and accruals		1,227
		<hr/>
Cash generated from operations		8,407
		<hr/>
Interest received		184
		<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES		8,591
		<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment		(217)
Purchase of financial assets at fair value through profit or loss		(10,000)
Repayment of a loan from third parties		10,000
Loan to a related party		(5,000)
Repayment of a loan from a related party		500
		<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,717)
		<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid		(1,745)
Principal portion of lease payments	12(b)	(292)
Repayment of interest-bearing bank borrowings		(5,000)
		<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(7,037)
		<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,163)
Cash and cash equivalents at 1 January		7,720
		<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE	23	4,557
		<hr/> <hr/>

NOTES TO THE PRO-FORMA FINANCIAL STATEMENTS

30 JUNE 2021

1. CORPORATE AND GROUP INFORMATION

Suchuang Gas (Shanghai) Co., Ltd. (the “Company”) was a limited liability company incorporated in the People’s Republic of China on 1 June 2016. The registered office of the Company is located at Room 2210B, No.28 Maji Road, Shanghai, China.

During the year, the Company principally engaged in investment holding.

In the opinion of the directors of the Company, the parent company of the Company is China Suchuang Energy Co., (Hong Kong) Ltd., and its registered office is located at 30 Floor, One Taikoo Place, 979 King’s Road, Hong Kong. The ultimate controlling shareholders of the Company are Mr. Su Aping (蘇阿平) and Ms. Zhu Yaying (朱亞英) (together known as the “Controlling Shareholders”).

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of paid-up/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kunshan Anda Natural Gas Development Co., Ltd. (“Kunshan Anda”) 昆山安達天 然氣發展 有限公司	Mainland China, PRC 02 December 2003 Limited liability company	RMB2,000,000	80%	–	Distribution and sale of natural gas
Xinjiang Dunhua Gas Engineering Technology Co., Ltd. (“Xinjiang Dunhua”) 新疆敦華 氣體工程技術 有限 公司	Mainland China, PRC 18 November 2014 Limited liability company	RMB30,000,000	51%	–	Promotion of technologies for nitrogen and carbon dioxide
Wanli Energy Development (Shanghai) Co., Ltd. (“Wanli Energy”) 萬力能源 發展(上海)有限公司	Mainland China, PRC 26 October 2018 Limited liability company	RMB21,000,000/ RMB30,000,000	100%	–	Technical services, consulting, transfer, development, etc
Jiruiji Energy Investment (Shanghai) Co., Ltd. (“Jiruiji Energy”) 吉瑞吉能 源投資(上海)有限公 司	Mainland China, PRC 31 May 2019 Limited liability company	– /RMB100,000,000	100%	–	Industrial investment, new energy technology and technical services

The English names of these subsidiaries represent the best efforts made by the management of the Company to translate their Chinese names as they do not have official English names registered in PRC.

2.1 BASIS OF PREPARATION

The Company and its subsidiaries excluding Kunshan Anda (the “Group”) had net current liabilities of RMB204,047,000 as at 30 June 2021, among which included the balance due to related parties amounting to RMB209,038,000. The pro-forma consolidated financial statements have been prepared under the going concern basis as Total Honest International Investment Ltd., a company owned by Ms Zhu Yaying, one of the Controlling Shareholder, has undertaken to provide continuing financial support to enable the Group to meet its liabilities as and when they fall due for the period of not less than 12 months since 30 June 2021. Therefore, the Group will have sufficient funds to meet its daily working capital requirements for not less than 12 months since 30 June 2021, and will not encounter going concern problems due to inadequate working capital.

On 25 August 2021, Suchuang Gas Corporation Limited (“Suchuang Gas”), the indirect controlling shareholder of the Company jointly announced with China Resources Gas (Hong Kong) Investment Limited in relation to the proposed take-private of Suchuang Gas, and the proposal involved the disposal of the Group. In addition, as part of the privatisation of Suchuang Gas, Taicang Natural Gas Company Limited (“Taicang Natural Gas”) will acquire the equity of Kunshan Anda from the Group, which previously owned by the Company, and the transfer consideration is RMB104,400,000.

For the purpose of this report, the pro-forma consolidated financial statements of the Group has been prepared on the basis that as if Kunshan Anda was not consolidated by the Group from the date when Kunshan Anda was acquired by the Group, accordingly, the accumulated dividend income from Kunshan Anda received or to be received by the Company since the acquisition date to 30 June 2021 amounting to RMB26,900,000 was included in the equity of the Group.

The pro-forma consolidated financial statements have been prepared in accordance with the significant accounting policies adopted by the Company which are set out in note 2.4 below. except that the comparative figures as at 31 December 2020 and for the six months ended 30 June 2020 have not been prepared.

The pro-forma consolidated financial statements have been prepared on a historical cost basis, except for equity investments and financial assets which have been measured at fair value. The pro-form financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand, except when otherwise indicated.

The pro-forma consolidated financial statements are prepared to assist the directors of Suchuang Gas to evaluate the financial performance and position of the Group referred to the above transaction. As a result, the pro-forma consolidated financial statements may not be suitable for another purpose.

Basis of consolidation

The pro-forma consolidated financial statements include the financial statements of the Company and its subsidiaries except Kunshan Anda (collectively referred to as the “Group”) for the six months ended 30 June 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated).

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> (early adopted)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 or IAS 39 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group's interest-bearing bank borrowings are based on fixed rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or

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before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

- (c) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The Group early adopted the amendment from 1 January 2021, and recognised proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating with an amount of RMB8,246,000 in profit or loss, and the relevant cost was about RMB4,369,000.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these pro-forma financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2,4}
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but is available for adoption

⁴ As a consequence of the amendments to IAS 1, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's pro-forma financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's pro-forma financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's pro-forma financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's pro-forma financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's pro-forma financial statements.
- *IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments and financial assets at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the pro-forma financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the pro-forma financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17% to 4.75%
Plant and machinery	4.75% to 19.00%
Furniture, fixtures and office equipment	19.00% to 31.67%
Motor vehicles	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas station structures, machinery, gas pipelines and other property, plant and equipment under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intellectual property rights

Intellectual property rights for petrochemical industry are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful lives of fifteen years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	38 years
Property	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of properties that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, interest-bearing bank borrowings and other borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of industrial gas

Revenue from the sale of industrial gas is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial gas.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits***Pension scheme***

The employees of the Group's subsidiaries are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Retirement benefits

As stipulated by PRC regulations, subsidiaries participate in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. Subsidiaries are required to make contributions to the local social security bureau at rates based on certain percentage of the average basic salaries of the employees under the employment of subsidiaries to whom the defined contribution retirement plan is applicable. Subsidiaries have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, each of the Group's subsidiaries is required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of the subsidiaries, except for the contributions to the accommodation fund.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's pro-forma financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amounts requires the Group to make an estimate of the value in use of the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the six months ended 30 June 2021, impairment losses on goodwill amounting to RMB5,625,000 has been recognised in profit or loss as to the pro-forma financial statement, and the carrying amount of goodwill at 30 June 2021 was nil. Further details are given in note 13.

(ii) Provision for expected credit losses on receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The Group applies the general approach to providing for expected credit losses for all other receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns according to sales type, customer type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the energy trading sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's amounts due from related parties and debt instruments at amortised cost are disclosed in note 20 and note 22, respectively, to the pro-forma financial statements.

(iii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible assets and deferred development costs are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For the six months ended 30 June 2021, impairment losses on other intangible assets and investments in an associate amounting to RMB5,315,000 and RMB5,954,000, respectively, have been recognised in profit or loss as set out in note 14 and note 15, respectively, to the pro-forma financial statements.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

(v) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge or amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(vi) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 30 June 2021 was RMB3,027,000, details of which are set out in note 17 to the pro-forma financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is industrial gas operation and operating in Mainland China. Since this is the only reportable operating segment of the Group, no further operating and geographical segment analysis thereof is presented.

Information about major customers

Revenue of approximately RMB8,246,000 was derived from sales by the industrial gas segment to a single customer.

The directors have only little information about whether a group of entities are under common control; and therefore the assessment is made according to the directors' best knowledge. Especially, the assessment is not for those entities which might solely be under the ultimate common control of the government after taking into account the economic integration among such entities in the economic environment with a large number of state-owned entities in Mainland China.

5. REVENUE

An analysis of the Group's revenue is as follows:

	For the six months ended 30 June 2021 RMB'000
<i>Revenue from contracts with customers</i>	<u><u>9,276</u></u>

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

**For the
six months ended
30 June 2021**
RMB'000

Revenue from contracts with customers

Types of goods or services

Sale of industrial gas	8,246
Others	1,030
	<hr/>

Total revenue from contracts with customers	9,276
	<hr/> <hr/>

Timing of revenue recognition

Goods or services transferred at a point in time	9,276
	<hr/>

Total revenue from contracts with customers	9,276
	<hr/>

There is no revenue recognised from performance obligations satisfied in previous period.

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial gas

The performance obligation is satisfied upon delivery of the industrial gas, and the payments are made in advance.

The company has elected the practical expedient for not to disclose the remaining performance obligations for both types of contracts.

6. OTHER INCOME AND GAINS

**For the
six months ended
30 June 2021**
RMB'000

Other income

Dividend income	4,250
Interest income	1,761
Government grants	3
	<hr/>

6,014

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June 2021 <i>RMB'000</i>
Cost of inventories sold	4,369
Depreciation of property, plant and equipment (<i>note 11</i>)	163
Depreciation of right-of-use assets (<i>note 12(a)</i>)	328
Amortisation of other intangible assets (<i>note 14</i>)	234
Employee benefit expense:	
Wages and salaries	1,961
Pension scheme contributions	36
Social security contributions and accommodation benefits	41
Impairment of goodwill (<i>note 13</i>)	5,625
Impairment of other intangible assets (<i>note 14</i>)	5,315
Impairment of investments in associates	5,954
Impairment of debt instruments at amortised cost (<i>note 22</i>)	9,968
Impairment of amount due from related parties (<i>note 20</i>)	34,283
Fair value losses on:	
Equity investments at fair value through profit or loss	369
Dividend income (<i>note 6</i>)	(4,250)
Interest income (<i>note 6</i>)	(1,761)
	(1,761)

8. FINANCE COSTS

	For the six months ended 30 June 2021 <i>RMB'000</i>
Interest on interest-bearing borrowings	1,745
Interest on lease liabilities (<i>note 12(b)</i>)	11
	1,756
Total interest expense on financial liabilities not at fair value through profit or loss	1,756
Less: interest capitalised	(1,401)
	355

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax is based on the statutory rate of 25% of the assessable profits for each of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

The major components of income tax expense are as follows:

	For the six months ended 30 June 2021 <i>RMB'000</i>
Deferred tax (<i>note 17</i>)	(673)
	(673)
Total tax credit for the period	(673)
	(673)

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	For the six months ended 30 June 2021 RMB'000
Loss before tax	(57,401)
Tax at the statutory tax rate	(14,350)
Income not subject to tax	(1,063)
Expenses not deductible for tax	6
Tax losses not recognised	13,833
Losses attributable to associates	901
Total tax credit recognised	(673)

10. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2021	–	–	509	1,819	114,897	117,225
Additions	–	–	–	413	5,375	5,788
Transfers	21,601	98,671	–	–	(120,272)	–
At 30 June 2021	<u>21,601</u>	<u>98,671</u>	<u>509</u>	<u>2,232</u>	<u>–</u>	<u>123,013</u>
Accumulated depreciation:						
At 1 January 2021	–	–	196	507	–	703
Charge for the period	19	–	80	64	–	163
At 30 June 2021	<u>19</u>	<u>–</u>	<u>276</u>	<u>571</u>	<u>–</u>	<u>866</u>
Net carrying amount:						
At 30 June 2021	<u>21,582</u>	<u>98,671</u>	<u>233</u>	<u>1,661</u>	<u>–</u>	<u>122,147</u>

Note: Capitalised interest expenses included in construction in progress of the Group are as follows (note 8):

	For the six months ended 30 June 2021 RMB'000
Interest expenses capitalised	1,401

12. LEASES

The Group as a lessee

The Group has lease contracts for various items of property and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 years, and no ongoing payments will be made under the terms of these land leases. Leases of property generally have lease terms of 3 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Leasehold land <i>RMB'000</i>	Property <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	3,815	633	4,448
Depreciation charge	<u>(58)</u>	<u>(270)</u>	<u>(328)</u>
As at 30 June 2021	<u><u>3,757</u></u>	<u><u>363</u></u>	<u><u>4,120</u></u>

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	30 June 2021 <i>RMB'000</i>
Carrying amount at 1 January 2021	616
Accretion of interest recognised during the period	11
Payments	<u>(292)</u>
Carrying amount at 30 June 2021	<u><u>335</u></u>
Analysed into:	
Current portion	<u><u>335</u></u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June 2021 <i>RMB'000</i>
Interest on lease liabilities	11
Depreciation charge of right-of-use assets	<u>328</u>
Total amount recognised in profit or loss	<u><u>339</u></u>

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(b) and 30(b), respectively, to the pro-forma financial statements.

13. GOODWILL

	30 June 2021 <i>RMB'000</i>
Cost:	
At 1 January 2021 and 30 June 2021	5,625
Accumulated impairment:	
At 1 January 2021	–
Impairment during the period	(5,625)
As 30 June 2021	(5,625)
Net carrying amount:	
At 1 January 2021	5,625
At 30 June 2021	–

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units (“CGUs”) for impairment testing:

- Promotion of technologies for nitrogen and carbon dioxide of Xinjiang Dunhua (“Xinjiang Dunhua”)

The recoverable amounts of the CGUs were determined based on a value in use calculation using cash flow projections based on financial budgets covering a four year and six months period approved by management. The discount rates applied to the cash flow projections was 17.6% for Xinjiang Dunhua. The growth rates used to extrapolate the cash flows of the above cash-generating units beyond the five-year period is 2.3%, which is also estimates of the rate of inflation.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	30 June 2021 <i>RMB'000</i>
Xinjiang Dunhua	–

Assumptions were used in the value in use calculation of the cash-generating units for 30 June 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management determined the budgeted gross margins based on past performance and its expectations for the development of the market.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective industries.

During the period, an impairment loss of RMB5,625,000 was recognised in the pro-forma statement of profit or loss as other expense, in respect of the goodwill resulted from the acquisition of a subsidiary of the Group, Xinjiang Dunhua. During the impairment test, Xinjiang Dunhua was considered as a separate cash-generating unit (“Xinjiang Dunhua CGU”). The impairment charges are driven by the lower recoverable amount of Xinjiang Dunhua CGU resulting in the directors’ reassessment that the estimated future business performance of Xinjiang Dunhua CGU might not achieve the expectation of management taking the budgeted gross margin and estimated growth rate of sale of industrial gas into consideration.

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

The recoverable amount of Xinjiang Dunhua CGU has been determined based on value in use, which is based on certain key assumptions including the discount rate, long-term growth rate and budgeted gross margin. The carrying amount of Xinjiang Dunhua CGU was determined to be higher than its recoverable amount and an impairment loss of RMB5,625,000 for the six months ended 30 June 2021 was recognised. The impairment loss was solely allocated to goodwill, as a result, the carrying amount of goodwill was reduced. The key assumptions used in calculation include a discount rate of 17.6%, long-term growth rate of 2.3% and budgeted margin which are consistent with market average level and external information sources for the six months ended 30 June 2021.

14. OTHER INTANGIBLE ASSETS

	Intellectual property rights <i>RMB'000</i>
Costs:	
At 1 January 2021 and 30 June 2021	7,034
Accumulated amortisation:	
At 1 January 2021	1,485
Provided during the period	234
At 30 June 2021	1,719
Accumulated impairment:	
At 1 January 2021	–
Impairment during the period	5,315
At 30 June 2021	5,315
Net book value:	
At 30 June 2021	–

During the period, an impairment loss of other intangible assets with an amount of RMB5,315,000 was recognised in the pro-forma statement of profit or loss as other expense, in respect of the intellectual property rights attributable to Xinjiang Dunhua, which was driven by the lower recoverable amount of other intangible assets than the carrying amount mentioned above resulting in the management' reassessment that the estimated future business performance of Xinjiang Dunhua CGU might not achieve the expectation of management taking the budgeted gross margin and estimated growth rate of sale of industrial gas into consideration. The recoverable amount has been determined based on value-in-use calculation, which is based on certain key assumptions including the discount rate, long-term growth rate and budgeted gross margin. The carrying amount of other intangible assets was determined to be higher than its recoverable amount and an impairment loss of RMB5,315,000 was recognised. The key assumptions used in calculation include a discount rate of 17.6%, long-term growth rate of 2.3%.

15. INVESTMENTS IN ASSOCIATES

	30 June 2021 <i>RMB'000</i>
Share of net assets	27,479
Goodwill on acquisition	20,922
Impairment	48,401
	(6,276)
	42,125

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

(a) Particulars of the associates are as follows:

Name of company	Registered capital	Place of registration and operations	Voting power	Ownership interest	Principal activity
Shanghai Zhongji Suchuang New Energy Technology Co., Ltd.* ("Zhongji Suchuang") (上海中機蘇創新能源科技有限公司)	RMB50,000,000	Mainland China, PRC 04 November 2017	49%	49%	Technology development and new energy technology services
Xinjiang Dunhua Green Petroleum Technology Co., Ltd. ("Dunhua Petroleum")* (新疆敦華綠碳技術股份有限公司)	RMB91,400,000	Mainland China, PRC 06 November 2008	8.75%	8.75%	Technology promotion and petrochemical technology services
Beijing Beilun Energy Science and Technology Co., Ltd. ("Beijing Beilun")* (北京北侖能源科技有限公司)	RMB25,000,000	Mainland China, PRC 20 October 2015	20%	20%	Technology promotion and new energy technology services; gas operation business

(b) The Group's outstanding balances and transactions with the associates during the period are disclosed in note 20 and note 31 to the pro-forma financial statements.

(c) The Group's investments in associates are considered to be individually material to the Group. The following tables illustrate the summarised financial information of the Group's associates:

Dunhua Petroleum

	30 June 2021 <i>RMB'000</i>
Non-current assets	259,986
Current assets	99,480
Current liabilities	(67,161)
Non-current liabilities	(1,400)
	<hr/>
Net assets	290,905
	<hr/> <hr/>
Ownership interest (%)	8.75
Share of net assets	25,454
	<hr/> <hr/>
Goodwill on acquisition	16,538
Share of net assets	41,992
	<hr/> <hr/>

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

Dunhua Petroleum did not distribute dividends to its shareholders in the six months ended 30 June 2021. The Group's share of the dividend distribution was nil.

	For the six months ended 30 June 2021 <i>RMB'000</i>
Revenue	20,821
Loss for the period	(23,463)
	—
Other comprehensive income for the period	—
	—
Total comprehensive loss for the period	(23,463)
Ownership interest (%)	8.75
Share of results	(2,054)

Beijing Beilun

	30 June 2021 <i>RMB'000</i>
Non-current assets	4,664
Current assets	56,527
Current liabilities	(51,336)
Non-current liabilities	(395)
	—
Net assets	9,460
Ownership interest (%)	20
Share of net assets	1,892
Impairment	(1,892)
Goodwill on acquisition (less cumulative impairment)	—
	—
Share of net assets	—

Beijing Beilun distributed no dividend to its shareholders in the six months ended 30 June 2021.

	For the six months ended 30 June 2021 <i>RMB'000</i>
Revenue	10,758
Loss for the period	(7,750)
	—
Other comprehensive income for the period	—
	—
Total comprehensive loss for the period	(7,750)
Ownership interest (%)	20
Share of results	(1,550)

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

- (d) The following table illustrates the financial information of the Group's associate that is not individually material:

	For the six months ended 30 June 2021 <i>RMB'000</i>
Share of the associate's loss for the period	(1)
Share of the associate's total comprehensive loss	(1)
Aggregate carrying amount of the Group's investment in the associate	133

16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 <i>RMB'000</i>
Other unlisted investments, at fair value	19,504

The above equity investments at 30 June 2021 were classified as equity investments at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during the period are as follows:

Deferred tax assets

	Loss available for offsetting against future taxable profits <i>RMB'000</i>
Gross deferred tax assets at 1 January 2021	3,738
Deferred tax credited to profit or loss during the period (note 9)	(711)
Gross deferred tax assets at 30 June 2021	3,027

Deferred tax liabilities

	Impact of IFRS 16 <i>RMB'000</i>	Fair value adjustments arising from acquisition of subsidiaries <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax liabilities at 1 January 2021	4	1,387	1,391
Deferred tax credited to profit or loss during the period (note 9)	3	(1,387)	(1,384)
Gross deferred tax liabilities at 30 June 2021	7	-	7

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Deferred tax assets have not been recognised in respect of the following:

	30 June 2021 <i>RMB'000</i>
Tax losses	5,473
Deductible temporary differences	61,467
	<u>66,940</u>

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making and they are not considered probable that taxable profits will be available in the foreseeable future against which the tax losses can be utilised.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 <i>RMB'000</i>
Deposits and other receivables	207
Other current assets	4,010
Other non-current assets	7,959
Prepayments	1,610
	<u>13,786</u>
Impairment allowance	–
	<u>13,786</u>
Classified as:	
Current	4,513
Non-current	9,273
	<u>13,786</u>

Deposits and other receivables mainly represent deductible input tax and rental deposits.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amount. As at 30 June 2021, the loss allowance was assessed to be minimal.

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

19. INVENTORIES

	30 June 2021 <i>RMB'000</i>
Industrial gas	1,232

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

20. BALANCES WITH RELATED PARTIES

	30 June 2021 RMB'000
<u>Amounts due from related parties</u>	
Beijing Beilun	34,383
Dunhua Petroleum	5,006
Zhongji Suchuang	148
Others	81
	39,618
Impairment	(34,283)
	5,335
<u>Amounts due to related parties</u>	
Taicang Natural Gas*	199,984
Dunhua Petroleum	9,054
	209,038

*: Reconciliation of amounts due to Taicang Natural Gas:

	30 June 2021 RMB'000
Booking value due to Taicang Natural Gas	305,416
Transfer consideration of Kunshan Anda (<i>note</i>)	(104,400)
Amounts due from Kunshan Anda (<i>note</i>)	(1,032)
	199,984
Net carrying value of amounts due to Taicang Natural Gas	199,984

Note:

As set out in the Scheme Document, the carrying amount of the Group due to Taicang Natural Gas (“Suchuang Shanghai Loan”) will be repaid by the following arrangements:

- (1) The transfer consideration of Kunshan Anda of RMB104,400,000 will be offset by Suchuang Shanghai Loan;
- (2) The amount due from Kunshan Anda of RMB1,032,000 regarding to the accumulated dividend to be received from Kuanshan Anda will be offset by Suchuang Shanghai Loan;
- (3) The amount of RMB138,000,000 will be directly deducted by the cash consideration of the take-private transaction;
- (4) The remaining portion with the amount of RMB61,984,000 shall be repaid by the Company within two years from the completion date of dispose of certain subsidiaries and settle certain intra-group loans (“Special Deal Completion”) and China Resources Gas agrees to extend the repayment deadline to three years from the date of Special Deal Completion if such portion cannot be repaid with two years, while the Company shall pledge its equity interest in all existing or future subsidiaries and associated companies in favour of Taicang Natural Gas as security for the repayment of the remaining loan;
- (5) prior to full repayment of the Suchuang Shanghai Loan, if the Company disposes of equity interest in any subsidiaries or associated companies or if the Company dispose of any assets, the Company shall first obtain the written consent of Taicang Natural Gas and shall pay the corresponding consideration to Taicang Natural Gas to which the Company is entitled (excluding the relevant taxes, if any) for the repayment of the loan.

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

Amounts due from related parties mainly represent the loan with related parties. The balance due from Dunhua Petroleum amounting RMB5,006,000 was fully collected on 19 January 2022. Where applicable, an impairment analysis is performed at 30 June 2021 by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 <i>RMB'000</i>
Other unlisted investments, at fair value	10,000

The above unlisted investments were wealth management products issued by banks. Those wealth management products were fully redeemed on 26 July 2021 when the investment period were due. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. DEBT INSTRUMENTS AT AMORTISED COST

	30 June 2021 <i>RMB'000</i>
Principal	9,375
Interests	593
	9,968
Impairment	(9,968)
	–

The debt instrument at amortised cost was a loan provided to a third party company, with a period from 31 December 2020 to 31 December 2021 and the interest rate of the loan was fixed at 7.5%. The loan is secured by the pledge of equity of an associate. An impairment analysis is performed at 30 June 2021 by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

23. CASH AND CASH EQUIVALENTS

	30 June 2021 <i>RMB'000</i>
Cash and cash equivalents	4,557
Denominated in RMB	4,557

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2021 RMB'000
Current			
Lease liabilities (<i>note 12(b)</i>)	4.64-4.80	2022	335
Current portion of long term bank loans	5.39	2021-2022	10,000
			10,335
Non-current			
Bank loans	5.39	2022-2026	37,260
			47,595
30 June 2021 RMB'000			
Analysed into:			
Bank loans and borrowings repayable:			
Within one year or on demand			10,000
In the second year			10,000
In the third to fifth years, inclusive			27,260
			47,260
Other borrowings repayable:			
Within one year			335
			47,595

Note:

The Group's interest-bearing bank borrowing with the amount of RMB47,260,000 is guaranteed by Taicang Natural Gas Company Limited.

25. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000
Payroll and welfare payables	429
Other tax payables	170
Other payables	9,712
	10,311

Other payables are non-interest-bearing and have an average term of three months.

26. ISSUED CAPITAL

30 June 2021

RMB'000

Registered and paid-in capital	<u><u>2,000</u></u>
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27. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2021 are presented in the pro-forma consolidated statement of changes in equity.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

Distributable reserve

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in these financial statements which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC companies can be distributed as dividends after the appropriation to the SRF as set out above.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	52,260	616
Changes from financing cash flows	(5,000)	(292)
Interest expense	344	11
Interest paid	(1,745)	–
Interest capitalised	<u>1,401</u>	<u>–</u>
At 30 June 2021	<u><u>47,260</u></u>	<u><u>335</u></u>

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(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 <i>RMB'000</i>
Within financing activities	<u><u>(292)</u></u>

29. CONTINGENT LIABILITIES

There have been no significant contingent liabilities as at 30 June 2021.

30. COMMITMENTS

- (a) The Group has no capital commitments as at 30 June 2021.
- (b) The Group has no lease contracts that were not yet commenced as at 30 June 2021.

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Dunhua Petroleum	Associate
Beijing Beilun	Associate
Taicang Natural Gas (太倉市天然氣有限公司)	Fellow Subsidiary

- (b) Apart from the transactions and balances disclosed elsewhere in the pro-forma financial statements, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	For the six months ended 30 June 2021 <i>RMB'000</i>
Associates:		
<u>Sale of industrial gas to</u> Dunhua Petroleum	(i)	<u><u>8,246</u></u>
<u>Consulting service income from</u> Beijing Beilun	(i)	<u><u>80</u></u>
<u>Loan repaid by</u> Beijing Beilun	(ii)	<u><u>500</u></u>
<u>Loan interest from</u> Beijing Beilun	(ii)	<u><u>978</u></u>
<u>Loan to</u> Dunhua Petroleum	(iii)	<u><u>5,000</u></u>
Others:		
<u>Consulting service income from</u> Taicang Natural Gas	(i)	849
Kunshan Anda	(i)	181
		<u><u>1,030</u></u>

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Notes:

- (i) The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.
 - (ii) The Group entered into a loan contract with Beijing Beilun amounting to RMB30,000,000 with an interest rate of 6.5% per year on 3 December 2018. The contract was renewed and the maturity date is 31 December 2021.
 - (iii) The Group entered into a loan contract with Dunhua Petroleum amounting to RMB5,000,000 with an interest rate of 5% per year on 23 June 2021. The maturity date is 22 September 2021. Amount of RMB1,500,000 was repaid on September 2021 and the remaining amount was renewed and repaid on 19 January 2022.
- (c) Outstanding balances with related parties:

Details of the Group's balances with other related parties at the end of the period are disclosed in note 20 to the pro-forma financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial asset at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	19,504	–	19,504
Financial assets included in prepayments, other receivables and other assets	–	207	207
Amounts due from other related parties	–	5,335	5,335
Financial assets at fair value through profit or loss	10,000	–	10,000
Cash and cash equivalents	–	4,557	4,557
	29,504	10,099	39,603
	29,504	10,099	39,603

APPENDIX IIC FINANCIAL INFORMATION OF SUCHUANG SHANGHAI

Financial liabilities

	Financial liabilities measured at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	9,712
Amounts due to related parties	209,038
Interest-bearing bank and other borrowings	47,595
	266,345
	266,345

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts 30 June 2021 RMB'000	Fair values 30 June 2021 RMB'000
Financial assets		
Equity investments at fair value through profit or loss	19,504	19,504
Financial assets at fair value through profit or loss	10,000	10,000
	29,504	29,504
	29,504	29,504
	Carrying amounts 30 June 2021 RMB'000	Fair values 30 June 2021 RMB'000
Financial liabilities		
Interest-bearing bank borrowings (non-current portion) (other than lease liabilities)	37,260	36,263
	37,260	36,263
	37,260	36,263

Management has assessed that the fair values of cash and cash equivalents, amounts due from related parties, amounts due to related parties, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments as at 30 June 2021.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2021 was assessed to be insignificant.

The fair values of unlisted investments at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes ("EV/EBIT") multiple, for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required by fair value measurement are observable, the instruments are included in Level 2. If one or more of the significant inputs is not based on observable market data, the instruments are included in Level 3.

Set out below is a summary of significant unobservable inputs to the valuation of investments at fair value in Level 3 at 30 June 2021.

Financial assets	30 June 2021	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity investments at fair value through profit or loss	Non-listed equity securities	Level 3	Redemption probability, and valuation multiples	Redemption probability	The higher the probability, the higher the valuation
				Discount for lack of marketability	The higher the discount, the lower the valuation
				Average EV/EBIT multiples of peers	The higher the multiples, the higher the valuation

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Equity investments at fair value through profit or loss	–	16,194	3,310	19,504
Financial assets at fair value through profit or loss	–	10,000	–	10,000
	<u>–</u>	<u>26,194</u>	<u>3,310</u>	<u>29,504</u>

The movements in fair value measurements within Level 3 during the period are as follows:

	30 June 2021 <i>RMB'000</i>
Equity investments at fair value through profit or loss	
At 1 January	3,786
Loss on fair value change	(476)
	<u>3,310</u>

Liabilities for which fair values are disclosed:

As at 30 June 2021

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Interest-bearing bank and other borrowings (non-current portion) (other than lease liabilities)	–	36,263	–	36,263

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 30 June 2021, the Group's interest-bearing bank borrowing are based on fixed rate, therefore, the Group had no interest rate risk. the Group's exposure to the risk of changes in market interest rates has been assessed as inconsequential.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; therefore, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 30 June 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

As at 30 June 2021

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Debt instruments at amortised cost						
– Not yet past due	–	–	9,968		–	9,968
Amounts due from related parties						
– Not yet past due	5,235	–	34,383		–	39,618
Financial assets included in prepayments, other receivables and other assets						
– Normal*	207	–	–		–	207
Cash and cash equivalents						
– Not yet past due	4,557	–	–		–	4,557
	<u>9,999</u>	<u>–</u>	<u>44,351</u>		<u>–</u>	<u>54,350</u>

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- * The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and other interest-bearing borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group’s financial liabilities as at the end of the period, based on the contractual undiscounted payments, was as follows:

	On demand <i>RMB’000</i>	Within one year <i>RMB’000</i>	Within two to five years <i>RMB’000</i>	Over five years <i>RMB’000</i>	Total <i>RMB’000</i>
At 30 June 2021					
Financial liabilities included in other payables and accruals	9,712	–	–	–	9,712
Amounts due to other related parties	209,038	–	–	–	209,038
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	10,000	37,260	–	47,260
Lease liabilities	335	–	–	–	335
	<u>219,085</u>	<u>10,000</u>	<u>37,260</u>	<u>–</u>	<u>266,345</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by capital. The Group’s net debt consists of interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents total equity.

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At the end of the period, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	30 June 2021 <i>RMB'000</i>
Interest-bearing bank and other borrowings (<i>note 24</i>)	47,595
Less: Cash and cash equivalents	<u>(4,557)</u>
Net debt	<u>43,038</u>
Total equity	<u>(41,118)</u>
Net debt to equity ratio	N/A*

* As at 30 June 2021, the amount of the Group's total equity was negative. As such, no gearing ratio as at 30 June 2021 was presented.

35. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period except for the loan due for Dunhua Petroleum was fully collected on 19 January 2022.

36. APPROVAL OF THE PRO-FORMA FINANCIAL STATEMENTS

The pro-forma financial statements were approved and authorised for issue by the board of directors of Suchuang Gas on 4 May 2022.

The following is the text of the valuation report from the Valuer, International United Consulting & Appraisal Limited, prepared for the purpose of incorporation in this Scheme Document in connection with its opinion of value of the convertible promissory note issued by G2 Net-Zero LNG LLC held by Argus Holding Corporation as at 28 February 2022.

**VALUATION REPORT ON FAIR VALUE
OF
CONVERTIBLE PROMISSORY NOTE ENTERED INTO
BETWEEN G2 NET-ZERO LNG LLC AND ARGUS LNG LLC**

**Client: Argus LNG LLC
Report No.: DT-2022006(3)
Report date: 4 May 2022**

4 May 2022

The Board of Directors
Argus LNG LLC

Dear Sirs,

In accordance with the instructions of Argus LNG LLC (“Argus” or the “Company”), we have undertaken a valuation of the fair value of the Convertible Promissory Note (“Convertible Note”) entered into between G2 Net-Zero LNG LLC (“G2 LNG”) and the Company as at 28 February 2022 (the “Valuation Date”). This report will contain our opinion on the valuation of the Convertible Note. The report which follows is dated 4 May 2022.

The purpose of this valuation is for accounting reference.

Our valuation was carried out on a fair value basis. Fair value is defined as *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”*.

We have conducted our valuation in accordance with the requirements for appraisals under the International Valuation Standards and International Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

In conducting our valuation, we have reviewed information from various sources, and engaged in discussions with the senior management of the Company. In addition, we have conducted a study based on various publicly available information and publications to verify the reasonableness of the data obtained.

The conclusion of this valuation was based on the requirements for appraisals under the International Valuation Standards and International Financial Reporting Standards and dependent to a greater extent on certain assumptions made after taking into account various factors relating to the business operations. In the meantime, we have also considered a number of risk factors that may have a potential impact on the business operations. International United Consulting & Appraisal Limited will not express any opinions on any legal or other professional issues other than the regular work carried out by the valuers.

Following the appropriate investigation and analysis, we are of the opinion that the fair value of the Convertible Promissory Note (“Convertible Note”) entered into between G2 Net-Zero LNG LLC and Argus LNG LLC as at the Valuation Date is stated as below:

Valuation Date	Valuation Conclusion
28 February 2022	USD14,988,308

The following pages outline the valuation methods and assumptions employed and factors considered in the valuation for determining the fair value of the Convertible Note.

All opinions expressed in this report are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
**International United Consulting &
Appraisal Limited**
Liang Li
Director
CFA

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INTRODUCTION

In accordance with the instructions of Argus LNG LLC (“Argus” or the “Company”), we have undertaken a valuation of the fair value of the Convertible Promissory Note (“Convertible Note”) entered into between G2 Net-Zero LNG LLC and the Company as at 28 February 2022 (the “Valuation Date”). This report will contain our findings and opinion on the valuation of the Convertible Note. The report which follows is dated 4 May 2022.

PURPOSE OF VALUATION

This valuation is conducted to express an independent opinion of the fair value of the above Convertible Note as at the Valuation Date for the purposes of accounting reference.

PRINCIPLES OF VALUATION

Under the International Valuation Standards, fair value is defined as *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”*.

We have conducted our valuation in accordance with the requirements for appraisals under the International Valuation Standards and International Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

BACKGROUND**G2 Net-Zero LNG LLC**

G2 Net-Zero LNG is an energy complex located in the State of Louisiana, the United States. In partnership with several global energy innovators including Siemens Energy Inc., 8 Rivers/NET Power, and EJM Associates LLC, G2 LNG will build the world’s first facility for exporting Net Zero Liquefied Natural Gas (“LNG”) and producing industrial gas.

G2 LNG is deploying best in class technologies and innovative protocols to produce, transport, process, liquefy and export natural gas and generate industrial gases while achieving net-zero greenhouse gas emissions by 2026. Such project with an investment of USD11 billion will profitably generate a variety of affordable net-zero products to meet the growing world demand for more energy resources with less carbon (source above: Website of G2 Net-Zero LNG).

On 17 July 2020, G2 LNG entered into an agreement with its creditor Argus to extend the original maturity of three tranches of debts amounting to USD12,360,929 in aggregate to 31 January 2023, with the Convertible Promissory Note (“Convertible Note”) attaching a conversion right for the creditor.

METHODOLOGY

In carrying out this valuation exercise, we have considered the key features and economic properties of the Convertible Note. Based on our analytical findings, we considered that the Convertible Note is comprised of embedded derivative options and an interest-bearing loan contract. Any holder of the Convertible Note is entitled to receive a specified amount upon the expiration of the Convertible Note, or to convert the Convertible Note into shares within a specified period of time with waiver of principal repayment.

Given the embedded derivative options of the Convertible Note, we have adopted the option pricing models in arriving at the fair value of the Convertible Note. We have considered the following option pricing models in our specific valuation:

The Black-Scholes Option Pricing Model

According to a paper headed “The Pricing of Options and Corporate Liabilities” published by Fischer Black and Myron Scholes in 1973, an option valuation formula that today is referred to as the Black-Scholes Model is introduced, and has become the standard method for pricing European options (which only can be exercised on the maturity date).

The Black-Scholes Model is a mathematical formula used to calculate the theoretical value of a European option (ignoring dividends paid during the life of the option) using the five key determinants: stock price, exercise price, volatility, time to expiration, and risk-free interest rate.

The Binomial Model

The binomial option pricing model (or Binomial Model) is a general approach to calculate the value of American options (a style of options allowing their holders to exercise their rights at any time before and including the expiration date). The underlying assumptions are that upward and downward movements are only two directions in the stock price over each period, and that the probability and range of each upward (or downward) movement in the stock price remain unchanged throughout the period under observation. Despite its simplicity, such assumptions allow a given time period to be divided into smaller time units, and the resulting binomial option pricing model can reflect the likely path of future market price movements of the underlying asset for a given option period.

The Binomial Model divides the life of an option under observation into several stages and provides all possible paths for the future market price of the underlying asset throughout the life of an option, taking into account the term structure of an option. Furthermore, the proceeds from option exercise for each node on each path are calculated with the option price calculated under the discount method. For American options, the theoretical price of the option at each node shall be the greater of the proceeds from option exercise and the option price calculated by discounting, due to the early exercise.

The Binomial Model utilizes the binomial lattice of the underlying asset by incorporating in the terms and structures of the option. Since the binomial tree provides the possible future prices for each period in time as well as the respective probability, the value of the option of the underlying asset can then be determined for each point in time.

Monte Carlo Simulation

Monte Carlo Simulation is an approach widely used to determine derivative security prices in the absence of the closed-form solution, which was first introduced by Phelim Boyle in 1977. He related the pricing of options to the simulation of random asset paths and proved the accuracy of the value of an asset by generating various possible future paths for such an asset, which is the prototype of the later Monte Carlo model. The price of a derivative contract in an arbitrage-free economy can be expressed as a discounted expected value of its random payoffs. Monte Carlo simulation is hence a natural tool to approximate this expected value by the sample average. Monte Carlo simulation procedures commonly used in option pricing can be summarized as follows: first, sample paths for the underlying asset price are simulated; second, its corresponding option payoff for each sample path is computed; finally, the simulated payoffs are averaged and the averages are discounted to determine the Monte Carlo price of an option.

SELECTION OF VALUATION METHODOLOGY

We have compared the appropriateness of the above approaches for valuing the Convertible Note. We consider the Binomial Model more suitable for calculating the value of the Convertible Note, as such a model compares several alternatives and selects the most optimal operation to obtain the most favorable value of the Convertible Note.

The valuation on the fair value of the Convertible Note is conducted under the Binomial Model with reference to Chapter 27.6 of Options, Futures and Other Derivatives (5th Edition) by Professor John C. Hull, in which case, the fair value can be calculated with taken into account the embedded options and the borrowing component in a customized binomial model. With the customized binomial model built, it is necessary to analyze the optimal behavior of the debtors and creditors with respect to the Convertible Note at each node. Is it beneficial for the creditors to exercise the conversion right if the price of the underlying asset rises, or is the value of its Convertible Note higher if the creditors hold the Convertible Note for a further period of time? On the other hand, if the debtors have an early redemption right, it begs the question as to whether it is better to redeem early or just to continue to hold? Assuming that debtors and creditors know each other's reasons, their decisions are interrelated. To analyze such behavior, we calculate the Convertible Note's conversion value, which represents the value of the converted Convertible Note, and the rollback value, which represents the value of the unconverted Convertible Note, at each node.

ASSUMPTIONS

Assumptions considered to have significant effects in this valuation have been fully evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

In this valuation exercise, we have used the following parameters as at the Valuation Date to determine the fair value of the Convertible Note:

- Nominal value – The nominal value of the Convertible Note is USD12,360,929 under the terms of the Convertible Note.
- Coupon rate – According to the terms of the Convertible Note, the coupon rate of the Convertible Note is 9% per annum (based on compound interest), which is expected to be paid upon the expiration. (The interests received amounted to USD220,000 as of 31 December 2021)
- Term – According to the terms of the Convertible Note, the maturity date is 31 January 2023
- Conversion conditions –The Convertible Note can be converted by the holders into the underlying interests in the preferred B shares of G2 LNG prior to the repayment of the Convertible Note.
- Conversion price – According to the terms of the Convertible Note, the conversion price would be categorized as below: the conversion price of converting the preferred B shares based on Deemed Valuation of USD50,000,000; and the conversion price of being 80% of post-financing valuation after 90 days in the case of a new round of equity financing of G2 LNG.
- Equity price – Based on the conversion price at the time of conversion by third-party holders of the Convertible Note in December 2021, calculation of the equity price adopts the Backsolve Method as described in the accounting and valuation guidelines of the “Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies” issued by the AICPA.
- Risk-free interest rate – Derived by reference to the interest of the US treasury bonds with the corresponding term as at the Valuation Date.
- Bond yield – Derived by reference to G2 LNG’s credit rating and the credit spread and other risk premiums for the corresponding rating.
- Volatility – Derived by reference to the historical stock price volatility of comparable companies for the corresponding period as of the Valuation Date.

- Dividend yield –It is assumed to be zero, based on expectations of the management of G2 LNG.
- Likelihood of a new round of equity financing of G2 LNG – There is 65% likelihood for a new round of equity financing based on expectations of the management of G2 LNG

SOURCE OF INFORMATION

In conducting our valuation on the fair value of the Convertible Note, we have considered, analyzed and relied upon the following information:

- Background of G2 LNG;
- Documents relating to the Convertible Note;
- Communication and discussions with the management of the Company concerning the particulars of the terms of the Convertible Note;
- Other operational and market factors related to the G2 LNG's business.

We confirm that we have conducted surveys and inquiries related to this valuation and obtained the corresponding information. We have considered the information provided by the Company on the Convertible Note as a reference for our valuation exercise.

The conclusion of this valuation was based on the requirements for appraisals under the International Valuation Standards and International Financial Reporting Standards and dependent on various assumptions made after taking into account various uncertainties. Moreover, not all assumptions and uncertainties can be easily quantified or determined. We consider the assessment assumptions as set forth herein to be reasonable. However, these assumptions are subject to various uncertainties in the business environment, economic development and market competition to a great extent, which are beyond the control or foresight of the Company and International United Consulting & Appraisal Limited.

RISK FACTORS

- **Policy risks**

Policy risks refer to risks affecting the Company's business operation due to changes in national macro-policy and regulatory policy. The Company should pay close attention to changes in regulatory policies, strengthen research and organize studies on policies in a timely manner in active response to such changes; analyze possible policy changes in advance, and formulate response plans by virtue of time window; and analyze and implement monitoring indicators in accordance with regulatory requirements.

- **Market risks**

Market risks refer to risks of loss or decrease in the Company's revenue resulting from unfavorable changes of prices, interest rate, exchange rate and other market factors, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

- **Liquidity risks**

Liquidity risks refer to risks involving the failure to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

- **Operational risks**

Operational risks refer to risks of direct or indirect losses due to inadequate or problematic operational procedures, personnel, systems or external events.

OPINION OF VALUATION

Based on the conclusions of our investigation and analysis outlined in this report, we are of the opinion that the fair value of the Convertible Promissory Note ("Convertible Note") entered into between G2 Net-Zero LNG LLC and Argus LNG LLC as at the Valuation Date is stated as below:

Valuation Date	Valuation Conclusion
28 February 2022	USD14,988,308

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as included in Exhibit I of this report.

Yours faithfully,
For and on behalf of
**International United Consulting &
Appraisal Limited**
Liang Li
Director
CFA

EXHIBIT I – LIMITING CONDITIONS

1. In the preparation of our valuation report, we have relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other corporate data provided to us by the Company/client/parties so involved. We did not carry out any work in the nature of an audit and neither did we express any opinion for the purposes of audit or feasibility. We take no responsibility for the accuracy of such information. Our valuation report serves as part of the reference for the Company/client to analyse the relevant asset value. Due to the above reasons, the ultimate responsibility of the valuation of the underlying asset rests solely with the Company/client.
2. We have explained as part of our service engagement procedures that it is the Company's responsibility to ensure proper books of accounts are maintained, the financial information and forecast of which give a true and fair view and have been prepared in accordance with the relevant standards and company ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable. We nonetheless make no representation as to the accuracy or completeness of such information, and have accepted the information without any further verification.
4. The management and the directors of the Company/client have reviewed and agreed to the report and confirmed that the basis, assumptions, calculations and results adopted over the course of valuation are appropriate and reasonable.
5. International United Consulting & Appraisal Limited shall not be required to attend the hearing or give testimony as requested by any court or government agency for the purposes of this valuation. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you, even when such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, other than the valuation practices.
7. The use of the report is subject to the relevant terms of the engagement letter/contract and the full settlement of the fees and all the expenses.
8. Our conclusions are based on the assumption that prudent and effective management policies continue over whatever period of time, which is considered to be necessary in order to maintain the nature and integrity of the asset under valuation.

9. We assume that there is no material concealment or omission of the conditions relevant to the asset that result in adverse impacts on the conclusions of this valuation. Further, we assume no responsibility for changes in market conditions, government policy or other conditions subsequent to the Valuation/Reference Date for the purposes of this report. We cannot provide assurance on the achievability of the forecast results by the Company because change in circumstances and conditions may not occur as expected; material inconsistencies between actual and expected results may arise; and achievement of the forecast results is dependent on actual assumptions, plans, actions and specific management.
10. This report has been prepared solely for purpose as **stated in the report**. No reference to this report in whole or in part is permitted in any form without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter as of the Valuation Date. In accordance with our valuation practices, we must state that this report and exercise is for the use only by the party to whom it is addressed and for specific purposes, and confidential documents are issued only to the parties to whom this valuation is addressed or any party so designated. We accept no responsibility with respect to any third party for the whole or any part of the contents as contained in this report.
12. We are entitled to rely on that representation without further investigation into the veracity of the representation in detail made by the other party/parties with respect to the relevant asset.
13. You agree to indemnify and hold harmless us and our employees against and from any and all claims, losses, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive damage, loss or expense (including without limitation loss of profits and opportunity costs), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities that exist. We do not conduct such kind of assessments over or provide any representation as to the underlying asset that is subject to this engagement services.

15. This exercise is premised on the historical financial information and future forecast provided by the management of the Company. Our calculation of value relies on the accuracy and reasonableness of the information provided by the Company. Since projections relate to the future, there will usually be inconsistencies between projections and actual results, which may be material in some cases. Accordingly, where any of the above-mentioned information requires adjustments to certain extent, the resulting value may differ significantly.
16. This valuation report and its conclusions arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein, which should not be directly construed by the reader as reference or advice as to investments or transactions for any purpose in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company and other sources. Actual transactions involving the underlying asset/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time. Therefore, there is no need to be close to the results in the report.
17. The management or staff of the Company/parties so involved and/or its representatives have confirmed to us that the transaction or each of them or the parties so involved in the underlying asset or transaction are independent to our firm in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/parties so involved and/or its representatives would immediately inform us, in which case, we may be required to cease our work and charge our fee to the extent of our work performed or our manpower engaged.

EXHIBIT II – VALUERS’ PROFESSIONAL DECLARATION

The following valuers certify that:

- We believe information relating to the valuation is all reliable, and all relevant information has been fully taken into consideration over the course of valuation. No important facts or information has been intentionally disregarded by us.
- The analyses, opinions, and conclusions as contained in this report are subject to the assumptions as stated here and based on the valuers’ unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The analyses, opinions, and conclusions as contained in this report are independent and objective.
- The valuers, who have no present or prospective interest in the asset that is the subject of this report or any associated company with respect to this report, have no personal interest or bias with respect to the parties involved.
- The professional fees payable to the valuers are not contingent upon the conclusions of this valuation herein, nor will such valuation fees be affected by the values arrived at or any event or transaction connected to the conclusions of this valuation.
- The under-mentioned persons provided professional assistance in the compilation of this report:

Liang Li
Director

The following is the text of a letter received from the Independent Financial Adviser, Essence Corporate Finance (Hong Kong) Limited, which has been prepared for the purpose of inclusion in this Scheme Document.



Essence Corporate Finance (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

4 May 2022

The Board of Directors
Suchuang Gas Corporation Limited
30th Floor, One Taikoo Place
979 King's Road
Hong Kong

Dear Sirs,

We refer to the composite scheme document jointly issued by Suchuang Gas Corporation Limited (the “**Company**”) and China Resources Gas (Hong Kong) Investment Limited dated 4 May 2022 (the “**Scheme Document**”). Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document.

Reference is made to the valuation report of the fair value of the convertible promissory note (the “**CPN**”) entered into between G2 Net-Zero LNG LLC and Argus Holding Corporation (“**Valuation Report**”) prepared by International United Consulting & Appraisal Limited (the “**Valuer**”) as set out in Appendix IIIA to the Scheme Document. We are required to report on the Valuation Report under Rule 11.1(b) of the Takeovers Code.

For the purpose of providing this letter, we have performed the following:

- (i) conducted reasonable check to assess the relevant qualifications and experience of the Valuer and Mr. LIANG Li, a director of the Valuer (“**Mr. Liang**”) for compiling the Valuation Report, including reviewing the supporting documents on the qualifications of the Valuer and discussing with the Valuer on its qualifications and experience, particularly in relation to the valuation of derivatives, such as convertible bonds, and reviewed the relevant track record of Mr. Liang to assess his knowledge, skills and understandings necessary to conduct the valuation of the CPN; and

- (ii) reviewed the Valuation Report and discussed with the management of the Group and the Valuer regarding the Valuation Report, including the bases and assumptions set out therein, for which you and the Valuer are solely responsible.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with you and the Valuer which we have assumed to be true, accurate, and complete and not misleading in all material aspects at the relevant time they were supplied or expressed. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided.

Our work does not constitute any valuation of the CPN. Our opinion in this letter has been given for the sole purpose of compliance with Rule 11.1(b) of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. We and our respective director and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective director and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to act on any matters or to vote on the Proposal, the Scheme and the Transactions. Independent Shareholders are recommended to read all information as set out in the Scheme Document.

Based on the above, we are of the opinion that the bases and assumptions as set out in the Valuation Report, for which the Directors are solely responsible, has been made by the Valuer with due care and consideration. We are also satisfied that the Valuer and Mr. Liang are suitably qualified and experienced to prepare the Valuation Report.

Yours faithfully,
for and on behalf of

Essence Corporate Finance (Hong Kong) Limited

Mazy Chan

Director

The following is the text of a letter received from Ernst & Young, for inclusion in this Scheme Document.

4 May 2022

The Board of Directors
Suchuang Gas Corporation Limited

Dear Sirs,

**SUCHUANG GAS CORPORATION LIMITED (“THE COMPANY”) AND ITS
SUBSIDIARIES (THE “GROUP”)**

Suchuang Dunhua Environmental Technology Company Limited, Argus Holding Corporation, Suchuang Gas (Shanghai) Co., Ltd. and their respective subsidiaries (excluding Kunshan Anda Natural Gas Development Co., Ltd.) (the “Disposal Group”)

**PROFIT ESTIMATE FOR EACH OF THE YEARS ENDED 31 DECEMBER 2019 AND
2020**

We refer to the estimate of the unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for each of the years ended 31 December 2019 and 2020 (“the Profit Estimate”) in the section headed “5. Arrangement Material to the Proposal – Financial information of the Disposal Group” in Part IV and “7. Arrangement Material to the Proposal – Financial information of the Disposal Group” in Part VIII of the scheme document of the Company dated 4 May 2022 (the “Scheme Document”) in relation to the unaudited results of the Disposal Group for each of the years ended 31 December 2019 and 2020. The Profit Estimate is required to be reported on under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

DIRECTORS’ RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the unaudited combined results of the Disposal Group for each of the years ended 31 December 2019 and 2020 as shown in the management accounts of the Disposal Group for each of the years ended 31 December 2019 and 2020.

The Company’s directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in the section headed “5. Arrangement Material to the Proposal – Financial information of the Disposal Group” in Part IV of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for each of the years ended 31 December 2019 and 2020, respectively.

Yours faithfully,

Certified Public Accountants
Hong Kong

The following is the text of report received from the Independent Financial Adviser, Essence Corporate Finance (Hong Kong) Limited, which has been prepared for the purpose of inclusion in this Scheme Document.



Essence Corporate Finance (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

4 May 2022

The Board of Directors

Suchuang Gas Corporation Limited
30th Floor, One Taikoo Place
979 King's Road
Hong Kong

Dear Sirs,

Reference is made to the composite scheme document dated 4 May 2022 jointly issued by Suchuang Gas Corporation Limited and China Resources Gas (Hong Kong) Investment Limited (the “**Scheme Document**”). Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document.

We refer to the unaudited combined gross profit, loss before income tax and loss attributable to owners of the parent of the Disposal Group for each of the two years ended 31 December 2019 and 2020 (the “**Profit Estimate**”) as set out in the paragraph headed “*Financial information of the Disposal Group*” under the section headed “5. Arrangement material to the Proposal” in Part IV of the Scheme Document and the paragraph headed “*Financial information of the Disposal Group*” under the section headed “7. Arrangement material to the Proposal” in Part VIII of the Scheme Document.

The Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and therefore, is required to be reported on by the financial adviser and auditors pursuant to Rule 10 of the Takeovers Code.

The Profit Estimate has been prepared by the Directors based on the unaudited combined results of the Disposal Group for each of the two years ended 31 December 2019 and 2020. No assumption was involved in the making of the Profit Estimate as the Profit Estimate was related to a period already ended.

We have discussed with you and the senior management of the Company the bases and the adopted accounting policies upon which the Profit Estimate was prepared upon. In addition, we have also considered the report on the Profit Estimate issued by Ernst & Young, the reporting accountants of the Company, the text of which is set out in Appendix IV to the Scheme Document which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for each of the two years ended 31 December 2019 and 2020.

Based on the above, we are satisfied that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

This letter is issued in compliance with the requirements under Rule 10.4, and Note 1(c) to Rule 10.1 and Rule 10.2 of the Takeovers Code and not for any other purposes.

Yours faithfully,
for and on behalf of
Essence Corporate Finance (Hong Kong) Limited
Mazy Chan
Director

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The directors of the Offeror and CR Gas jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (i) the authorized share capital of the Company was HK\$50,000,000 divided into 5,000,000,000 Shares;
- (ii) the issued and paid up share capital of the Company was HK\$9,030,840 divided into 903,084,000 Shares;
- (iii) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (iv) there were 50,250,000 Outstanding Share Options granted under the Share Option Scheme and remaining outstanding, details of which are as follows:

Date of grant	Exercise price (HK\$ per Share)	Number of outstanding Share Options			Exercise period	Number of underlying Shares
		Vested	Unvested			
29 January 2016	2.00	16,500,000	–		28 February 2017 to 28 January 2024	16,500,000
24 January 2017	2.28	19,250,000	–		28 February 2018 to 23 January 2025	19,250,000
25 October 2017	3.06	11,600,000	2,900,000		24 October 2018 to 24 October 2025	14,500,000

Please refer to the section headed “2. Terms of the Proposal” in Part VIII of this Scheme Document for further details of the Outstanding Share Options; and

- (v) save for the 50,250,000 Outstanding Share Options, there were no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carried a right to subscribe for or which were convertible or exchangeable into the Shares.

Since 31 December 2021, being the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had issued nil Shares.

3. INFORMATION REGARDING THE HOLDCO SHARES

As at the Latest Practicable Date:

- (A) HoldCo had one HoldCo Share in issue, being all the issued shares of HoldCo;
- (B) there were no options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Offeror that carry a right to subscribe for or which are convertible into HoldCo Shares;
- (C) since 10 September 2021, being the incorporation date of the HoldCo, no new HoldCo Shares had been issued by the HoldCo;
- (D) there was no re-organisation of capital during the two financial years ended 31 December 2019 and 31 December 2020, being the two financial years preceding the Announcement Date; and
- (E) no HoldCo Share had been bought back by the HoldCo since 10 September 2021, being the incorporation date of the HoldCo.

4. FINANCIAL INFORMATION OF THE HOLDCO

The HoldCo is a business company incorporated on 10 September 2021 in the British Virgin Islands with limited liability. The principal business of the HoldCo is investment holding. The HoldCo has not carried on any business activities since its incorporation and will not carry on any business activities other than acting as a holding company of the Company after completion of the Proposal (to the extent that any Scheme Shareholder(s) elect the Share Alternative). The HoldCo has not published any financial information for the last three financial years.

Paragraph 12(a) of Schedule I of the Takeovers Code requires certain financial information of the HoldCo to be disclosed in this Scheme Document. As the HoldCo is established for the purpose of the Proposal, the HoldCo does not carry on any business activities other than acting as a holding company of the Company after completion of the Proposal (if any Scheme Shareholders elect the Share Alternative). As at the Latest Practicable Date, the HoldCo (a) has not received or expended money; (b) has not sold or purchased goods; and (c) does not have any assets or liabilities, save for the initial subscription price paid to the HoldCo for the one HoldCo Share issued for the initial subscription on 10 September 2021 and pre-incorporation expenses which is estimated to be not more than approximately US\$4,700. On the basis of the foregoing, the Offeror has made an application to the Executive for a waiver from strict compliance with paragraph 12(a) of Schedule I of the Takeovers Code and the waiver has been granted.

As at the Latest Practicable Date, being the latest practicable date for the purpose of ascertaining the indebtedness of the HoldCo prior to the printing of the Scheme Document, the HoldCo had no material indebtedness.

5. MARKET PRICES

(1) In respect of the Company

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) on the last Business Day of each month during the Relevant Period:

	Closing price for each Share <i>HK\$</i>
26 February 2021	2.03
31 March 2021	2.00
30 April 2021	2.00
31 May 2021	1.97

	Closing price for each Share HK\$
30 June 2021	2.00
30 July 2021	1.96
13 August 2021 (Last Trading Day)	2.43
31 August 2021	2.35
24 September 2021 ^{Note}	2.42
31 October 2021 ^{Note}	N/A
30 November 2021 ^{Note}	N/A
31 December 2021 ^{Note}	N/A
31 January 2022 ^{Note}	N/A
28 February 2022 ^{Note}	N/A
31 March 2022 ^{Note}	N/A
29 April 2022 (being the Latest Practicable Date) ^{Note}	N/A

Note: Trading in the Shares has been suspended since 27 September 2021.

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$2.43 per Share as quoted on the Stock Exchange on 13 August 2021 and the lowest closing price of the Shares was HK\$1.92 as quoted on the Stock Exchange on 14 May 2021.

(2) In respect of the HoldCo

Save for the issuance of one HoldCo Share to the Offeror at the consideration of US\$0.00001 per HoldCo Share on 10 September 2021 there has been no other transaction in relation to the HoldCo Shares which have taken place during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date.

6. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

(i) Disclosure of interests

(a) *Interests of the Directors and chief executives in Shares and underlying Shares*

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company in the Shares and underlying Shares, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) or were required to be disclosed pursuant to the requirement of the Takeovers Code were as follows:

Name of Director or chief executive	Nature of interest	Number of Shares	Number of underlying Shares	Approximate percentage of the issued share capital of the Company
Ms. Su Yi	Beneficiary of two discretionary trusts ^(Note 1)	337,684,000	–	37.39%
	Beneficial owner	–	2,150,000	0.24%
Mr. Du Shaozhou	Beneficial owner	100,000	2,200,000	0.25%
Ms. Su Wen	Beneficiary of two discretionary trusts ^(Note 2)	337,684,000	–	37.39%
Mr. Li Jianyi	Beneficial owner	96,000	1,850,000	0.22%
Mr. Xu Lei	Beneficial owner	–	300,000	0.03%
Mr. Zhou Qingzu	Beneficial owner	–	300,000	0.03%

Notes:

- (1) As at the Latest Practicable Date, 123,138,000 Shares are beneficially owned by Total Honest International Investment Ltd which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu Holdings Limited which is wholly owned by Yong Sheng Pte Ltd and indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries.
- (2) As at the Latest Practicable Date, 123,138,000 Shares are beneficially owned by Total Honest International Investment Ltd which is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries. Besides, 214,546,000 Shares are beneficially owned by Fung Yu Holdings Limited which is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Wen and Ms. Su Yi are three of the several eligible beneficiaries.

Save as disclosed above, so far as the Directors are aware, none of the Directors or chief executive of the Company had any interest in the Shares and underlying Shares (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code or the Takeovers Code as at the Latest Practicable Date. None of the Directors intend to exercise their Share Options as at the Latest Practicable Date.

(b) Interests of the Offeror and Offeror Concert Parties in the Shares and underlying Shares

Save for the interest of Controlling Shareholders of 337,684,000 Shares, the interest of the Minority IU Shareholders of 90,812,000 Shares, the interest of the Entrustment Minority Shareholders (through Hwabao) of 22,398,000 Shares, the interest of Mr. Su Aping of 2,200,000 Share Options, the interest of Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) of 7,000,000 Share Options and the holdings by any member of the CICC group on a non-discretionary and non-proprietary basis for and on behalf of its clients, as at the Latest Practicable Date, none of the Offeror, its directors, any Offeror Concert Parties, and HoldCo, its directors and parties acting in concert or presumed to be acting in concert with HoldCo under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code) (i) had any interest in the Shares; or (ii) owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

(c) Interests of the Offeror and Offeror Concert Parties, the Directors and the Company in the shares of the Offeror and the HoldCo

As at the Latest Practicable Date, the entire issued share capital of the Offeror, comprising one share, was beneficially held as to 100% by China Resources Gas Limited, which is in turn wholly owned by CR Gas, all of which are Offeror Concert Parties.

As at the Latest Practicable Date, save as disclosed in the preceding paragraph and the paragraph (iv) of the section headed “15. Miscellaneous” in “Appendix VI – General Information on the Company and the Offeror” in this Scheme Document, none of the Offeror Concert Parties, any directors of the Offeror, the Company or any of the Directors owned or controlled any shares of the Offeror or any HoldCo Shares, or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of shares of the Offeror or HoldCo Shares.

As at the Latest Practicable Date, none of (i) the persons who have irrevocably committed themselves to accept the Proposal, being the IU Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders, and (ii) Taicang Natural Gas, being a party to the Pledge Documents owned or controlled any HoldCo Shares or any convertible securities, warrants, options or derivatives in respect of any HoldCo Shares.

As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties had borrowed or lent any HoldCo Shares or any convertible securities, warrants, options or derivatives in respect of any HoldCo Shares, save for any borrowed HoldCo Shares which have been either on-lent or sold.

(d) Other information

Save as disclosed under the section headed “6. Disclosure of interests, dealings and other arrangements – (i) Disclosure of interests – (a) Interests of the Directors and chief by the Shareholders, executives in Shares and underlying Shares” above and the section headed “14. Takeovers Code IBC” in the “Letter from the Board” in Part IV of the Scheme Document, as at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) was a director or employee of a company which had any interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, the IU Shareholders (comprising the Controlling Shareholders, Dazhong (Hong Kong), Shanghai Dazhong and Action East), each of which had entered into the relevant Irrevocable Undertakings and the relevant Supplemental Agreements (being arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code) owned or controlled an aggregate of 675,068,000 Shares and 2,200,000 Share Options. The Controlling Shareholders also entered into the Deed(s) of Mortgage and Assignment and the Custodian Agreement(s) (being arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers code). As at the Latest Practicable Date, save as disclosed above, the IU Shareholders did not own or control any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the HoldCo.

As at the Latest Practicable Date, the Minority IU Shareholders which had entered into the Minority IU Shareholders Irrevocable Undertakings, the Minority IU Shareholders Deeds of Mortgage and Assignment and the Minority IU Shareholders Custodian Agreements (being arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code) owned or controlled an aggregate of 90,812,000 Shares and 7,000,000 Share Options. As at the Latest Practicable Date, save as disclosed above, the Minority IU Shareholders did not own or control any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the HoldCo.

As at the Latest Practicable Date, the Entrustment Minority Shareholders which had entered into the Entrustment Minority Shareholders Irrevocable Undertakings, and the Pledge Documents (being arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code) owned or controlled an aggregate of 22,398,000 Shares. As at the Latest Practicable Date, save as disclosed above, the Entrustment Minority Shareholders did not own or control any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Save for the IU Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders, no other person had irrevocably committed themselves to accept or reject (or instruct to accept or reject), or vote in favor or against (or instruct to vote in favor or against), the Proposal.

As at the Latest Practicable Date, except for its interest under the Pledge Documents, Taicang Natural Gas was not interested in any Share or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code of the Company.)

Save as disclosed under the section headed “6. Disclosure of interests, dealings and other arrangements – (i) Disclosure of interests – (d) Other information” above, as at the Latest Practicable Date, none of the IU Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders are interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold.

As at the Latest Practicable Date, Mr. Du Shaozhou has indicated that, he intends, in respect of his own beneficial shareholdings in the Company, to vote in favour of the Scheme at the Court Meeting and the resolutions at the General Meeting. Mr. Li Jianyi has indicated that, except for the resolution approving the Special Deals at the General Meeting which he is required to abstain from voting due to his involvement in negotiating the Special Deals, he also intends, in respect of his own beneficial shareholdings in the Company, to vote in favour of the Scheme at the Court Meeting and the resolutions at the General Meeting. The remaining directors of the Company did not own any direct beneficial shareholding in Shares, and Ms. Su Yi and Ms. Su Wen are two of the several eligible beneficiaries of two discretionary trusts which are interested in 214,546,000 Shares and 123,138,000 Shares in the Company respectively, but as beneficiaries under the trusts, they are not entitled to vote at the Court Meeting or the General Meeting.

As at the Latest Practicable Date, each of the Directors who held Share Options (namely Ms. Su Yi, Mr. Du Shaozhou, Mr. Li Jianyi, Mr. Xu Lei and Mr. Zhou Qingzu) intends to accept the Option Offer.

Save as disclosed above, none of the Directors are interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, (i) no subsidiary of the Company, (ii) no pension fund of the Company or of a subsidiary of the Company, and (iii) no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled (as the case may be) any Shares or any shares of the Offeror and of HoldCo or any convertible securities, warrants, options or derivatives in respect of the Shares or in respect of the Offeror and HoldCo.

As at the Latest Practicable Date, no Shares, no shares of the Offeror, and no convertible securities, warrants, options or derivatives in respect of the Shares or the shares of the Offeror, was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company.

As at the Latest Practicable Date, neither the Company nor any Director had borrowed or lent (as the case may be) any Shares or any shares of the Offeror or of HoldCo, or any convertible securities, warrants, options or derivatives in respect of the Shares or the shares of the Offeror or of HoldCo.

Save as disclosed under the section headed “6. Disclosure of interests, dealings and other arrangements – (i) Disclosure of interests – (d) Other information” above and the section headed “6. Disclosure of interests, dealings and other arrangements – (iii) Other arrangements in relation to the Proposal” below, as at the Latest Practicable Date, no one who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any interests in the Shares or the shares of the Offeror and HoldCo or convertible securities, warrants, options or derivatives in respect of the Shares or the shares of the Offeror and HoldCo.

As at the Latest Practicable Date, save for the Irrevocable Undertaking given by Action East to the Offeror dated 25 August 2021, no material contract had been entered into by the Offeror in which any Director has a material personal interest.

As at the Latest Practicable Date, none of the Directors or the experts named in the section headed “12. Consents and qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(ii) Dealings in the Company's or the Offeror's securities

During the Relevant Period:

- (a) none of the Offeror, the directors of the Offeror, the Offeror Concert Parties, the Company or the Directors had dealt for value in any shares of the Offeror, any HoldCo Shares, or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of shares of the Offeror or the HoldCo Shares;
- (b) save for the dealings in the Shares by any member of the CICC group which are conducted on a non-discretionary basis for and on behalf of its clients and save as disclosed in paragraph (c) below, none of the Offeror, the directors of the Offeror, the Offeror Concert Parties, the directors of HoldCo and other parties acting in concert or presumed to be acting in concert with such directors of HoldCo under the definition of "acting in concert" under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code) or the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) save as disclosed below, none of the Directors, Taicang Natural Gas, the IU Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders has dealt for value in any Shares, any shares of the Offeror or the HoldCo Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or shares of the Offeror or the HoldCo Shares during the Relevant Period:

In respect of the Shares

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-02-26	Fairy Wealth Investments Limited	Purchase of Shares	10,000	2.03	20,300.00	On-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	28,000	2.00	56,000.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.01	4,020.00	On-market
2021-03-01	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.02	4,040.00	On-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.99	19,900.00	On-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	14,000	2.00	28,000.00	On-market
2021-03-02	Fairy Wealth Investments Limited	Purchase of Shares	6,000	2.02	12,120.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.99	7,960.00	On-market
2021-03-24	Fairy Wealth Investments Limited	Purchase of Shares	10,000	2.00	20,000.00	On-market
2021-03-25	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-03-31	Fairy Wealth Investments Limited	Purchase of Shares	22,000	1.97	43,340.00	On-market
2021-03-31	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	50,000	1.96	98,000.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.98	19,800.00	On-market
2021-04-07	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.99	3,980.00	On-market
2021-04-08	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-04-08	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.99	15,920.00	On-market
2021-04-15	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-04-26	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-04-29	Fairy Wealth Investments Limited	Purchase of Shares	52,000	1.99	103,480.00	On-market
2021-04-29	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-05-05	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.99	39,800.00	On-market
2021-05-05	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-05-06	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.99	19,900.00	On-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	24,000	1.98	47,520.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.99	39,800.00	On-market
2021-05-07	Fairy Wealth Investments Limited	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	22,000	1.98	43,560.00	On-market
2021-05-11	Fairy Wealth Investments Limited	Purchase of Shares	26,000	1.99	51,740.00	On-market
2021-05-13	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.98	27,720.00	On-market
2021-05-13	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.99	27,860.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-14	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.99	3,980.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	42,000	1.92	80,640.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.93	7,720.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-05-17	Fairy Wealth Investments Limited	Purchase of Shares	34,000	1.97	66,980.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.96	27,440.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	16,000	1.97	31,520.00	On-market
2021-05-18	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-20	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.97	15,760.00	On-market
2021-05-20	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.98	3,960.00	On-market
2021-05-21	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-05-21	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.98	7,920.00	On-market
2021-05-28	Fairy Wealth Investments Limited	Purchase of Shares	12,000	1.96	23,520.00	On-market
2021-05-28	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-06-08	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.97	7,880.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	20,000	1.93	38,600.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.94	19,400.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	16,000	1.95	31,200.00	On-market
2021-06-10	Fairy Wealth Investments Limited	Purchase of Shares	14,000	1.96	27,440.00	On-market
2021-06-16	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.94	7,760.00	On-market
2021-06-16	Fairy Wealth Investments Limited	Purchase of Shares	8,000	1.96	15,680.00	On-market
2021-06-17	Fairy Wealth Investments Limited	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-06-17	Fairy Wealth Investments Limited	Purchase of Shares	26,000	1.96	50,960.00	On-market
2021-07-09	Fairy Wealth Investments Limited	Purchase of Shares	10,000	1.96	19,600.00	On-market
2021-07-19	Fairy Wealth Investments Limited	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	6,000	1.94	11,640.00	On-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	14,000	1.94	27,160.00	On-market
2021-03-01	Zhang Hong (張紅)	Purchase of Shares	10,000	1.94	19,400.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-03-05	Zhang Hong (張紅)	Purchase of Shares	14,000	1.97	27,580.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	4,000	2.05	8,200.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	2,000	2.05	4,100.00	On-market
2021-03-08	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-11	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	2,000	2.03	4,060.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	8,000	2.03	16,240.00	On-market
2021-03-15	Zhang Hong (張紅)	Purchase of Shares	2,000	2.04	4,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.01	8,040.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.02	8,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.02	8,080.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	4,000	2.00	8,000.00	On-market
2021-03-23	Zhang Hong (張紅)	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-03-31	Zhang Hong (張紅)	Purchase of Shares	10,000	1.97	19,700.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.97	3,940.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.98	3,960.00	On-market

Date of transactions	Name	Nature of dealing	No. of Shares involved/ purchased/ (sold)	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	6,000	1.99	11,940.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	12,000	1.99	23,880.00	On-market
2021-04-09	Zhang Hong (張紅)	Purchase of Shares	2,000	2.00	4,000.00	On-market
2021-04-26	Zhang Hong (張紅)	Sale of Shares	(2,000)	2.00	4,000.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-06-23	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	4,000	1.95	7,800.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	2,000	1.96	3,920.00	On-market
2021-06-25	Zhang Hong (張紅)	Purchase of Shares	4,000	1.96	7,840.00	On-market
2021-07-08	Zhang Hong (張紅)	Purchase of Shares	24,000	1.97	47,280.00	On-market
2021-07-09	Zhang Hong (張紅)	Purchase of Shares	4,000	1.97	7,880.00	On-market
2021-07-09	Zhang Hong (張紅)	Purchase of Shares	2,000	1.97	3,940.00	On-market
2021-03-08	Xiang Liwen (項麗雯)	Sale of Shares	(6,000)	2.05	12,300.00	On-market

In respect of Share Options

Date of transaction	Name	Nature of dealing	No. of Shares involved	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/off-market
2021-02-28	Ms. Su Yi	Vesting of Share Options	430,000	N/A	N/A	N/A
2022-02-28	Ms. Su Yi	Vesting of Share Options	30,000	N/A	N/A	N/A
2021-02-28	Mr. Du Shaozhou	Vesting of Share Options	440,000	N/A	N/A	N/A
2022-02-28	Mr. Du Shaozhou	Vesting of Share Options	40,000	N/A	N/A	N/A
2021-02-28	Mr. Li Jianyi	Vesting of Share Options	370,000	N/A	N/A	N/A
2022-02-28	Mr. Li Jianyi	Vesting of Share Options	300,000	N/A	N/A	N/A
2021-02-28	Mr. Xu Lei	Vesting of Share Options	60,000	N/A	N/A	N/A
2022-02-28	Mr. Xu Lei	Vesting of Share Options	20,000	N/A	N/A	N/A
2021-02-28	Mr. Zhou Qingzu	Vesting of Share Options	60,000	N/A	N/A	N/A
2022-02-28	Mr. Zhou Qingzu	Vesting of Share Options	20,000	N/A	N/A	N/A
2021-02-28	Ms. Zhu Yaying (朱亞英)	Vesting of Share Options	430,000	N/A	N/A	N/A
2021-12-23	Ms. Zhu Yaying (朱亞英)	Lapse of Share Options	2,150,000	N/A	N/A	N/A

Date of transaction	Name	Nature of dealing	No. of Shares involved	Price per Share (HK\$')	Consideration (approximately HK\$')	On-market/ off-market
2021-02-28	Mr. Su Aping (蘇阿平)	Vesting of Share Options	440,000	N/A	N/A	N/A
2021-02-28	Shanghai Jieling Technology Co., Ltd.* (上 海捷凌科技有限 公司) ^(Note)	Vesting of Share Options	1,400,000	N/A	N/A	N/A
2022-02-28	Shanghai Jieling Technology Co., Ltd.* (上 海捷凌科技有限 公司) ^(Note)	Vesting of Share Options	1,400,000	N/A	N/A	N/A

Note: Shanghai Jieling Technology Co., Ltd. (上海捷凌科技有限公司) is owned as to 90% by Zhao Weiliang (趙偉良) and 10% by Zhou Jinming (周錦明), each a Minority IU Shareholder.

- (d) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company, no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any the Shares or any shares of the Offeror and of HoldCo or any convertible securities, warrants, options or derivatives in respect of the Shares or in respect of the Offeror and HoldCo; and
- (e) save as disclosed under the section headed “(i) Disclosure of interests – (d) Other information” above and the section headed “(iii) Other arrangements in relation to the Proposal” below, no one has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of

“associate” under the Takeovers Code, and no such person had dealt for value in any Shares or any shares of the Offeror and HoldCo, or any convertible securities, warranties, options or derivatives in respect of the Shares or the shares of the Offeror and HoldCo.

(iii) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) the emoluments of the directors of the Offeror and the emoluments of the directors of HoldCo would not be affected by or amended as a result of the Proposal or by any other associated transaction;
- (b) other than the Irrevocable Undertakings (as amended by the Supplemental Agreements, as the case may be), the Minority IU Shareholders Irrevocable Undertakings, the Entrustment Minority Shareholders Irrevocable Undertakings, the Deeds of Mortgage and Assignment, the Custodian Agreements, the Minority IU Shareholders Deeds of Mortgage and Assignment, the Minority IU Shareholders Custodian Agreements and the Pledge Documents, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person on the one hand, and the Offeror and/or any of the Offeror Concert Parties on the other;
- (c) the Offeror had no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme to any other person, and had no agreement, arrangement or understanding with any third party to do so;
- (d) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (e) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (f) save for the Irrevocable Undertakings (as amended by the Supplemental Agreement, as the case may be), the Minority IU Shareholder Irrevocable Undertakings, the Entrustment Minority Shareholders Irrevocable Undertakings, the Deeds of Mortgage and Assignment, the Custodian Agreements, the Minority IU Shareholders Deeds of Mortgage and Assignment, the Minority IU Shareholders Custodian Agreements, the Pledge Documents, the Minority IU Shareholders Loan Agreements, the Action East Deed of Consent and Waiver, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement), there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror

Concert Parties on one hand and any of the directors, recent directors, shareholders or recent shareholders of the Company on the other hand, having any connection with or was dependent upon the Proposal;

- (g) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (h) save for the Action East Deed of Consent and Waiver, the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the Pledge Documents, there was no understanding, arrangement or agreement or special deal (under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) the Company or any of its subsidiaries or associated companies (on the other hand).

7. MATERIAL LITIGATION

(1) In respect of the HoldCo

As at the Latest Practicable Date, the HoldCo was not engaged in any material litigation and no material litigation or claim of material importance was known to the directors of HoldCo to be pending or threatened by or against the HoldCo.

(2) In respect of the Company

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

(1) In respect of the HoldCo

No material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the HoldCo or any of its subsidiaries) had been entered into by the HoldCo from the date of its incorporation (i.e. 10 September 2021) up to and including the Latest Practicable Date.

(2) In respect of the Company

The following material contracts (not being contracts entered in the ordinary course of the business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years before the date of the Announcement up to and including the Latest Practicable Date:

- (a) the maximum amount guarantee agreement (最高額保證合同) dated 16 May 2019 entered into between Taicang Natural Gas and Hua Xia Bank to guarantee the bank acceptance agreements (銀行承兌協議) and the working capital loan agreements (流動資金借款合同) entered into between Hua Xia Bank and Taicang Suchuang during the period from 16 May 2019 to 16 May 2022 for a maximum amount of RMB137.5 million;
- (b) the share transfer agreement (股權轉讓合同) dated 9 September 2019, entered into between Taicang Natural Gas, Shanghai Jieling Technology Co., Ltd.* (上海捷凌科技有限公司) and Jiangsu Tengxu pursuant to which Taicang Natural Gas acquired the 100% equity interest in Jiangsu Tengxu, at a total consideration of RMB18 million;
- (c) the pledge agreement (質押合同) dated 11 March 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of a time deposit certificate (單位定期存單) of RMB15 million to secure for repayment of RMB20 million granted by Hua Xia Bank to Taicang Suchuang through the issuance of bank acceptance bills (銀行承兌匯票), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (d) the pledge agreement (質押合同) dated 18 March 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of RMB structured deposit product (人民幣單位結構性存款產品) of RMB30 million to secure for repayment of the working capital loan (流動資金貸款) of RMB30 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (e) the pledge agreement (質押合同) dated 19 March 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of RMB structured deposit product (人民幣單位結構性存款產品) of RMB15 million to secure for repayment of RMB20 million granted by Hua Xia Bank to Taicang Suchuang through the issuance of bank acceptance bills (銀行承兌匯票), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;

- (f) the pledge agreement (質押合同) dated 18 May 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of RMB structured deposit product (人民幣單位結構性存款產品) of RMB10 million to secure for repayment of the working capital loan (流動資金貸款) of RMB10 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (g) the pledge agreement (質押合同) dated 3 July 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of a time deposit certificate (單位定期存單) of RMB27 million to secure for repayment of the working capital loan (流動資金貸款) of RMB27 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (h) the pledge guarantee agreement (質押擔保合同) dated 6 August 2020 entered into between Suzhou Zhongyu Energy Development Co., Ltd.* (蘇州中宇能源發展有限公司) and Bank of Jiangsu in respect of a deposit receipt (存單) of RMB44.25 million to secure for repayment of the working capital loan (流動資金借款合同) of RMB42 million granted by Bank of Jiangsu to Suzhou Suchuang Chemical Petroleum Co., Ltd.* (蘇州市蘇創化工石油有限公司), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (i) the rights pledge agreement (權利質押合同) dated 27 October 2020 entered into between Jiangsu Tengxu and Hankou Bank in respect of a deposit receipt (存單) to secure for repayment of RMB50 million granted by Hankou Bank to Shanghai Yufu International Trade Co., Ltd.* (上海雨夫國際貿易有限公司) through entering into the bank acceptance bill acceptance agreement (銀行承兌匯票承兌協議書), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (j) the pledge guarantee agreement (質押擔保合同) dated 11 November 2020 entered into between Taicang Natural Gas and Bank of Jiangsu in respect of a deposit receipt (存單) of RMB21.1 million to secure for repayment of the working capital loan (流動資金借款合同) of RMB20 million granted by Bank of Jiangsu to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (k) the rights pledge agreement (權利質押合同) dated 9 December 2020 entered into between Jiangsu Tengxu and Hankou Bank in respect of a time deposit certificate (單位定期存單) to secure for repayment of RMB20 million granted by Hankou Bank to Zhejiang Jingji Trading Co., Ltd.* (浙江京吉貿易有限公司) through the issuance of bank acceptance bills (銀行承兌匯票), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;

- (l) the rights pledge agreement (權利質押合同) dated 15 December 2020 entered into between Jiangsu Tengxu and Hankou Bank in respect of a time deposit certificate (單位定期存單) of RMB40 million to secure for the RMB40 million granted by Hankou Bank to Ningbo Jiarui Trading Co., Ltd.* (寧波伽瑞商貿有限公司) pursuant to the domestic letter of credit contract (國內信用證開證合同);
- (m) the pledge agreement (質押合同) dated 24 December 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB20 million to secure for repayment of the working capital loan (流動資金貸款) of RMB20 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (n) the pledge agreement (質押合同) dated 24 December 2020 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB20 million to secure for repayment of the working capital loan (流動資金貸款) of RMB20 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (o) the maximum amount guarantee agreement (最高額保證合同) dated 24 December 2020 entered into between Taicang Natural Gas and Hua Xia Bank to guarantee the bank acceptance agreements (銀行承兌協議) and the working capital loan agreements (流動資金借款合同) entered into between Hua Xia Bank and Taicang Suchuang during the period from 24 December 2020 to 24 December 2022 for a maximum amount of RMB137.5 million;
- (p) the pledge agreement (質押合同) dated 8 January 2021 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB27 million to secure for repayment of the working capital loan (流動資金貸款) of RMB27 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (q) the pledge agreement (質押合同) dated 11 March 2021 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB15 million to secure for repayment of RMB20 million granted by Hua Xia Bank to Taicang Suchuang through the issuance of bank acceptance bills (銀行承兌匯票), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;

- (r) the pledge agreement (質押合同) dated 15 March 2021 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB10 million to secure for repayment of the working capital loan (流動資金貸款) of RMB10 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (s) the electronic commercial acceptance bill (電子商業承兌匯票) dated 18 March 2021 issued by Taicang Natural Gas for Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司) in the amount of RMB50 million;
- (t) the pledge agreement (質押合同) dated 19 March 2021 entered into between Taicang Natural Gas and Hua Xia Bank in respect of time deposit certificate (單位定期存單) of RMB45 million to secure for repayment of the working capital loan (流動資金貸款) of RMB45 million granted by Hua Xia Bank to Taicang Suchuang, interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (u) the rights pledge agreement (權利質押合同) dated 27 April 2021 entered into between Jiangsu Tengxu and Bank of Nanjing in respect of a time deposit certificate (單位定期存單) of RMB50 million to secure for repayment of the facility of RMB50 million granted by Bank of Nanjing to Hubei Congrong through entering into the bank acceptance agreement (銀行承兌協議), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (v) the rights pledge agreement (權利質押合同) dated 5 August 2021 entered into between Jiangsu Tengxu and Bank of Nanjing in respect of a time deposit certificate (單位定期存單) of RMB42 million to secure for repayment of the facility of RMB42 million granted by Bank of Nanjing to Hubei Congrong through entering into the bank acceptance agreement (銀行承兌協議), interest accrued thereon, default penalty fees, claims on damages or losses and other related costs;
- (w) Special Deal Agreement;
- (x) Pledge Documents; and
- (y) Supplemental Agreement to Special Deal Agreement.

* For identification purposes only

9. SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months preceding the commencement of the Relevant Period; (b) was a continuous contract with a notice period of 12 months or more; (c) was a fixed term contract that has more than 12 months to run irrespective of the notice period; or (d) does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation):

Name	Date of service contract	Term	Expiry date of the service contract	Amount of remuneration
Su Yi	1 January 2020	three years	31 December 2022	USD240,000 per annum
Du Shaozhou	1 June 2020	three years	31 May 2023	RMB1,000,000 per annum
Feng Yijing	19 June 2020	three years	18 June 2023	RMB120,000 per annum

Save for the above, the above-named Directors may also be entitled to (i) contribution towards pension plans; and (ii) discretionary bonus which is determined in the absolute discretion of the Board; (iii) participate in the Share Option Scheme; and (iv) insurance coverage.

10. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS**(i) Director's interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(ii) Director's interests in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

11. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed under the section headed “6. Material Change” in Appendix I, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

12. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have been named in this Scheme Document or have given opinion or advice which is contained in this Scheme Document:

Name	Qualification
CICC	a licensed corporation registered under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Essence	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	certified public accountants
International United Consulting & Appraisal Limited	independent professional valuer

As at the Latest Practicable Date, the above experts had given and had not withdrawn their respective written consent to the issue of this Scheme Document with the inclusion herein of their reports, letters and opinions (as the case may be) and/or references to their names, logos, opinions, reports, letters and/or qualifications (as the case may be) in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

13. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors were considered to have interests in the businesses listed below which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules as set out below:

Suzhou Suling Automobile Service is principally engaged in the operation of diesel and gasoline refuelling stations, as well as CNG and CNG refuelling stations and is controlled by Ms. Su Yi, Ms. Su Wen and their associates. On 23 February 2015, Suzhou Suling Automobile Service and the Company entered into a deed of first offer (the "Deed of First Offer"), pursuant to which Suzhou Suling Automobile Service granted to the Company an irrevocable right exercisable after rectification of the non-compliance matters in relation to the CNG and LNG refuelling stations operated by Suzhou Suling Automobile Service. The Deed of First Offer was expired and the Company has not exercised its right under the Deed of First Offer.

14. TRADING SUSPENSION AND RESUMPTION GUIDANCE

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on Monday, 27 September 2021 as a result of the Relevant Transactions being uncovered.

In September 2021, the Company was informed by Ernst & Young, the auditors of the Company, that certain pledges over bank deposits that two of the Company's subsidiaries entered into may not have been accounted for and disclosed in the information contained in the Company's announcement dated 31 August 2021 in respect of the Group's interim results for the six months ended 30 June 2021.

As disclosed in the Inside Information Announcements, Jiangsu Tengxu and Taicang Natural Gas has pledged certain bank deposits that they maintained at five different banks in the PRC (the "**Banks**") for an aggregate sum of RMB202.0 million and RMB113.1 million, respectively, under several deposit pledge contracts (the "**Deposit Pledge Contracts**") to guarantee the indebtedness of several companies (the "**Borrowers**") for the opening or entering into of bank acceptance agreements (《銀行承兌協議》), bank acceptance bill acceptance agreements (《銀行承兌匯票承兌協議書》), a domestic letter of credit contract (《國內信用證開證合同》) and working capital loan agreements (《流動資金借款合同》) between the respective Borrowers and the Banks to obtain facilities of an aggregate amount of RMB319.0 million.

In addition, an electronic commercial acceptance bill was entered into between Taicang Natural Gas and Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司) in the amount of RMB50 million. Taicang Natural Gas also entered into an agreement with a Bank to guarantee the bank acceptance agreements and the working capital loan agreements entered into between the Bank and the Borrower for a maximum amount of RMB137,500,000. For details, please refer to the Inside Information Announcements.

The Stock Exchange issued to the Company letters dated 17 January 2022 setting out the following resumption guidance for the Company and requested the Company to announce such guidance:

- (i) conduct an appropriate independent forensic investigation into the Relevant Transactions, announce the investigation findings and take appropriate remedial actions;
- (ii) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (iii) publish the revised unaudited interim results of the Group for the six months ended 30 June 2021 and interim report for the six months ended 30 June 2021;
- (iv) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and
- (v) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

For details of the resumption guidance and resumption progress, please refer to the Company's announcements dated 18 January 2022 and 25 March 2022.

On 13 April 2022, the Stock Exchange issued a letter to the Company setting out the following additional resumption guidance for the Company and requested the Company to announce such guidance:

- (i) publish all outstanding financial results and address any audit modification(s); and
- (ii) demonstrate compliance with Rule 13.24 of the Listing Rules.

For details, please refer to the Company's announcement dated 14 April 2022.

The Company has published the revised interim results announcement for the six months ended 30 June 2021 and the interim report for the six months ended 30 June 2021 on 28 January 2022 and 14 February 2022, respectively. The Group continues to have discussions with various parties on possible options and steps to fulfil the aforesaid resumption guidance and the additional resumption guidance. As at the Latest Practicable Date, the Company has not yet fulfilled the other resumption guidance as requested by the Stock Exchange.

15. MISCELLANEOUS

- (i) Principal members of the Offeror's concert group include the Offeror, Fung Yu, Total Honest, Mr. Su Aping and Ms. Zhu Yaying.
- (ii) The registered office of the Offeror is situated at 37/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, and the principal place of business of CR Gas is at Room 1901-02, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (iii) The correspondence address of Fung Yu, Total Honest, Mr. Su Aping and Ms. Zhu Yaying is 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, 215400.
- (iv) As at the Latest Practicable Date, the Offeror is wholly owned by China Resources Gas Limited, which is in turn wholly owned by CR Gas, a company listed on the Stock Exchange. CRH (Gas) Limited and Commotra Company Limited are directly interested in 1,407,828,991 shares and 14,470,000 shares in CR Gas respectively (representing approximately 60.839% and 0.625% of the issued share capital of the CR Gas) and both companies are wholly-owned subsidiaries of China Resources (Holdings) Company Limited. China Resources (Holdings) Company Limited is a wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly owned by China Resources Inc. China Resources Inc. is ultimately beneficially wholly owned by China Resources Company Limited, which is a state-owned enterprise in the PRC under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.
- (v) The directors of the Offeror are Huang Weizhong, Wang Chuandong and Li Xiaoshuang. The address of the directors of the Offeror is 37/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (vi) The directors of CR Gas are Yang Ping, Ge Bin, Wang Chuandong, Wang Gaoqiang, Liu Xiaoyong, Liu Jian, Wong Tak Shing, Yu Hon To, David, Yang Yuchuan and Hu Xiaoyong.
- (vii) The directors of China Resources Company Limited are Wang Xiangming, Xu Qiyong, Fan Chiu Fun Fanny, Pan Fu, Wu Xiandong, Wang Zheng, Wang Cuijun.
- (viii) The directors of CRH (Gas) Limited are Cheng Jie, Wang Chuandong and Zhang Gang, whose address is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (ix) The directors of Commotra Company Limited are Chen Rong, Cheng Jie and Zhang Gang, whose address is 37/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (x) The directors of China Resources Inc. are Fan Chiu Fun Fanny, Pan Fu, Wang Xiangming, Wang Zheng, Wu Xiandong, Wang Cuijun and Xu Qiyong, whose address is 3rd Floor, Shenzhen Bay Sports Center, 3001 Binhai Road, Nanshan District, Shenzhen, People's Republic of China.
- (xi) The directors of China Resources (Holdings) Company Limited are Fan Chiu Fun Fanny, Pan Fu, Wang Xiangming, Wang Zheng, Wu Xiandong, Wang Cuijun and Xu Qiyong, whose address is 49/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (xii) Fung Yu is wholly owned by Yong Sheng Pte Ltd and is indirectly wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Mr. Su Aping is the settlor, and Mr. Su Aping, Ms. Su Wen and Ms. Su Yi are three of the several eligible beneficiaries.
- (xiii) Total Honest is wholly owned by Ridge Glorious Limited, which is in turn wholly owned by First Advisory Trust (Singapore) Limited as trustee of a discretionary trust of which Ms. Zhu Yaying is the settlor, and Ms. Zhu Yaying, Ms. Su Yi and Ms. Su Wen are three of the several eligible beneficiaries.
- (xiv) The sole director of Fung Yu is Ms. Zhu Yaying. The sole director of Yong Sheng Pte Ltd is Tripleton Group Limited. The sole director of First Advisory Trust (Singapore) Limited is Philipp Markus Schmid.
- (xv) The sole director of Total Honest is Ms. Zhu Yaying. The sole director of Ridge Glorious Limited is Tripleton Group Limited. The sole director of First Advisory Trust (Singapore) Limited is Philipp Markus Schmid.
- (xvi) CICC is the financial adviser to the Offeror in relation to the Proposal, and its registered address is at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (xvii) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (xviii) The principal place of business of Company in Hong Kong is situated at 30th Floor, One Taikoo Place, 979 King's Road, Hong Kong.

- (xix) The Board comprises Ms. Su Yi, Mr. Du Shaozhou, Mr. Li Jianyi, and Ms. Su Wen as executive Directors, Mr. Xu Lei and Mr. Jin Bo as non-executive Directors, and Mr. Zhou Qingzu, Mr. Zhu Tong, and Mr. Feng Yijing as independent non-executive Directors.
- (xx) The company secretary of the Company is Mr. Ng Chi Kit. Mr. Ng Chi Kit is a member of the Hong Kong Institute of Certified Public Accountants.
- (xxi) The principal share registrar and transfer office of the Company in the Cayman Islands is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (xxii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (xxiii) The principal place of business of the Independent Financial Adviser is 39/F., One Exchange Square, Central, Hong Kong.
- (xxiv) The principal place of business of Ernst & Young is situated at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (xxv) The principal place of business of the Valuer is situated at 25/F, Taikang Insurance Building, No. 429 Nanquan North Road, Shanghai, the PRC.

In case of inconsistency, save for "Appendix IIIA – Valuation Report", the English language text of this Scheme Document and the accompanying forms of proxy, Election Form, Form of Acceptance and Account Holder Form shall prevail over the Chinese language text. In respect of "Appendix IIIA – Valuation Report", in case of any inconsistency, the Chinese version of Appendix IIIA shall prevail over the English version.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 30th Floor, One Taikoo Place, 979 King's Road, Hong Kong from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at <http://www.suchuanggas.com/>, on the website of the Stock Exchange at <http://www.hkexnews.hk/> and on the website of the Securities and Futures Commission at <http://www.sfc.hk/> for a period of not less than 14 days from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;

- (ii) the amended and restated memorandum and articles of association of the HoldCo;
- (iii) the amended and restated memorandum and articles of association of the Company;
- (iv) the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report;
- (v) the 2021 Interim Report;
- (vi) the 2020 annual report and 2021 annual report of CR Gas;
- (vii) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (viii) the letter from the Takeovers Code IBC, the text of which is set out in Part V of this Scheme Document;
- (ix) the letter from the Listing Rules IBC, the text of which is set out in Part VI of this Scheme Document;
- (x) the letter from the Independent Financial Adviser, the text of which is set out in Part VII of this Scheme Document;
- (xi) financial information of Argus Holding, as set out in Appendix IIA to this Scheme Document;
- (xii) financial information of Suchuang Dunhua, as set out in Appendix IIB to this Scheme Document;
- (xiii) financial information of Suchuang Shanghai, as set out in Appendix IIC to this Scheme Document;
- (xiv) the Valuation Report, the text of which is set out in Appendix IIIA to this Scheme Document;
- (xv) the Letter from the Independent Financial Adviser on Valuation Report, the text of which is set out in Appendix IIIB to this Scheme Document;
- (xvi) the report from Ernst & Young as set out in Appendix IV to this Scheme Document;
- (xvii) the report from the Independent Financial Adviser as set out in Appendix V to this Scheme Document;
- (xviii) the letter from CICC setting out the estimate of Value of HoldCo Shares, the text of which is set out in Appendix VII to this Scheme Document;

- (xix) the material contracts referred to in the section headed “8. Material Contracts” in this Appendix;
- (xx) the service contracts referred to in the section headed “9. Service Contracts” in this Appendix;
- (xxi) the written consents issued by the experts referred to in the section headed “12. Consents and Qualifications of Experts” in this Appendix;
- (xxii) the Irrevocable Undertakings;
- (xxiii) the Special Deal Agreement;
- (xxiv) the Supplemental Agreement to Action East Irrevocable Undertaking;
- (xxv) the Supplemental Agreement to Controlling Shareholders Irrevocable Undertaking;
- (xxvi) the Supplemental Agreement to Dazhong Irrevocable Undertaking;
- (xxvii) the Supplemental Agreement to Special Deal Agreement;
- (xxviii) the Minority IU Shareholders Irrevocable Undertakings;
- (xxix) the Minority IU Shareholders Loan Agreements;
- (xxx) the Entrustment Minority Shareholders Irrevocable Undertakings;
- (xxxi) the Pledge Documents;
- (xxxii) the Deeds of Mortgage and Assignment;
- (xxxiii) the Custodian Agreements;
- (xxxiv) form of Option Offer Letter, as set out in Appendix XI to this Scheme Document;
and
- (xxxv) this Scheme Document.

The directors of the Offeror

May 4, 2022

**PROPOSAL FOR THE TAKE-PRIVATE OF SUCHUANG GAS CORPORATION
LIMITED BY CHINA RESOURCES GAS (HONG KONG) INVESTMENT
LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86
OF THE COMPANIES ACT**

ESTIMATE OF VALUE OF HOLDCO SHARES

Dear Sirs,

We refer to the document of even date jointly issued by Suchuang Gas Corporation Limited (the “**Company**”) and China Resources Gas (Hong Kong) Investment Limited (the “**Offeror**”) (the “**Scheme Document**”) of which this letter forms part. Capitalised terms used in this letter will, unless otherwise stated, have the same meaning given to them in the Scheme Document.

Pursuant to the requirements of the Takeovers Code, you have requested us to provide you with an estimate of value of the HoldCo Shares (the “**Estimate of Value**”). Under the Proposal, the Scheme Shareholders may elect to receive (i) **the Cash Alternative**: cash of HK\$2.50 for every Scheme Share; or (ii) **the Share Alternative**: one HoldCo Share for every Scheme Share held. The HoldCo shares are unlisted and there is therefore no reference for a publicly traded price.

PURPOSE

The Estimate of Value has been provided to the Offeror solely for the purposes of Paragraph 30 of Schedule I to the Takeovers Code, and shall not be used or relied upon for any other purpose whatsoever, and is not made on behalf of, and shall not confer rights or remedies upon, any third party. It is to be emphasized that the Estimate of Value contained herein is an estimated value of each HoldCo Share based on certain assumptions and therefore do not necessarily reflect the actual value of HoldCo Shares. This letter is not addressed to any third party and the contents of it may not be relied upon by any third party for any purpose whatsoever; and CICC expressly disclaims any duty or liability to any third party with respect to the contents of this letter. Except for its inclusion in the Scheme Document, this letter may not be quoted or referred to, in whole or in part, nor may any other public reference to CICC be made, without our prior written consent.

This letter sets out an Estimate of Value of each HoldCo Share assuming the Proposal has become effective and such HoldCo Share is in issue as at the date of this letter.

The Estimate of Value does not represent the value that a holder of a HoldCo Share may realize on any future sale – and such a value may be higher or lower than the figure in this letter. CICC assumes no obligation to reaffirm, update or revise the Estimate of Value based upon circumstances or events occurring after the date hereof. Additionally, the Estimate of Value is based on the announced value of HK\$2.50 per Scheme Share under the Cash Alternative, on which CICC expresses no opinion and gives no representation.

In providing the Estimate of Value, CICC expresses no opinion and makes no recommendation to any person as to whether they should vote in favour of the Proposal or whether they should make any election to choose the Cash Alternative or the Share Alternative. Further, CICC expresses no opinion as to the fairness of the amount of the Cash Alternative and/or the number and nature of shares comprised in the Share Alternative as referenced in the Proposal.

ASSUMPTIONS

For the purposes of our analysis, we have made the following major assumptions:

- i. There exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts;
- ii. As at the date of this letter, the Proposal has become effective;
- iii. The HoldCo Shares issued in connection with the Proposal comprise the entire issued share capital of the HoldCo and no person has any right to acquire or subscribe for any share or loan capital of the HoldCo other than the HoldCo Shares issued in connection with the Proposal. Such shares have been issued pursuant to the terms of the Proposal free from all encumbrances, credited as fully-paid, non-assessable, and ranking *pari passu* with all issued shares in the HoldCo, including the right to receive in full all dividends and other distributions (if any) declared, made or paid on or after the date of their issue;
- iv. Any Shares in the issued share capital of the Company acquired by the Offeror have been acquired free from all liens, options and third party rights and together with the right to receive in full all dividends and other distributions (if any) declared, made or paid on or after the date of this letter;
- v. The Shares subject to the Proposal comprise the entire issued share capital of the Company and, no person other than the Offeror has any right to acquire or option to subscribe for any share or loan capital of the Company and no share capital of the Company is disposed of nor any right granted over or in respect of it at any future date;

- vi. No dividend or other distribution (whether in cash or in kind) shall be declared, made or paid by the Company to the Shareholders between the date of the Announcement and the Effective Date, and any further dividend or distribution shall be subject to the consent of the Offeror;
- vii. The Offeror, the HoldCo and the Company exist on a continuing basis;
- viii. The HoldCo Shares are unlisted and are valued on this basis. Whilst it is not possible to give a precise measure of the discount to reflect, among other things, the lack of marketability, the rights of the shareholders of the HoldCo and no methodological analysis can be undertaken for the purposes of estimating such a discount, for the purposes of calculating our range of Estimate of Value, we have assumed a range of discounts of 0-30% to an equivalent listed security to reflect, among other things, the lack of marketability and such shareholders' rights. We believe such range of discounts is an appropriate assumption to use for this purpose as it is consistent with the approach taken in recent market privatization precedents in Hong Kong which involves unlisted shares being offered as an alternative transaction consideration and which adopts an illiquidity discount methodology to assess the value of the unlisted shares. In evaluating the level of discount applied, we have identified the following general offer/privatisation cases since 2013 which involved valuation of unlisted shares, and noted that a lack of marketability/shareholders' rights discount of 30% was applied to derive the low-end value of the unlisted shares under the share alternative in the respective case:

Date of scheme/ composite document	Company (stock code)	Discount applied
3 August 2021	Clear Media Ltd (100)	30%
26 January 2021	Huifu Payment Limited (1806)	30%
20 June 2019	China Power Clean Energy Development Co Ltd (735)	30%
5 September 2016	Nirvana Asia Ltd (1438)	30%
23 July 2013	Yashili International Holdings Ltd (1230)	30%

- ix. We have relied on and assumed, without independent verification, the accuracy and completeness of the information reviewed by us (including but not limited to the management accounts of the Offeror and HoldCo, which specifies the amount of cash, assets, indebtedness and liabilities that are expected to remain in the Offeror and HoldCo immediately following the Proposal becoming effective) for the purposes of the Estimate of Value; and we have not assumed and do not assume any responsibility or liability in relation thereto. We have not made any independent valuation or appraisal of the assets and liabilities of the Company, nor have we sought or been provided with any such valuation or appraisal. The Estimate of Value is necessarily based on financial, economic, market, regulatory and other conditions

in effect, and the information made available to us, as at the date of this letter. It should be understood that subsequent developments may affect the Estimate of Value contained in this letter;

- x. The Offeror will pay HK\$2.50 per Scheme Share to every Scheme Shareholder electing the Cash Alternative;
- xi. The Company and its subsidiaries will continue to operate in the ordinary course as a going concern and are not subject to any material adverse event; the assets and liabilities of the Company (on a consolidated basis) are fairly reflected in the Company's annual report comprising its consolidated accounts for the fiscal year ended 31 December 2020 and interim report comprising its consolidated accounts for the six months ended 30 June 2021, which were published on 28 April 2021 and 14 February 2022 respectively (the "**Last Accounts**"); Neither the Company nor any of its subsidiaries disposes of any asset for less than its fair value (as reflected in the Last Accounts) nor suffers or incurs any liability, other than in the ordinary course of business; and
- xii. No Outstanding Share Options are exercised before the Option Record Date.

METHODOLOGY

In our Estimate of Value, we derive ranges of value for HoldCo Shares which reflect the estimated value of such shares hypothetically assuming for the purpose of calculating the top end of the range that they are listed and freely tradable, and for the purpose of calculating the bottom end of the range we have assumed a discount of 30% to reflect, among other things, the lack of marketability and shareholders' rights.

The estimated value of the HoldCo Shares is equal to the total estimated value of the New Shares to be issued under the Share Alternative, while the estimated value of the New Shares is based on the total value of the Scheme Shares and the percentage of HoldCo's shareholding in the Company on an enlarged basis. As such, at the top end of our range, the total value of the HoldCo Shares is assumed to be calculated as:

$$(a) \times (b)$$

Where (a) and (b) are defined as follows:

- (a) the value of all of the Scheme Shares;
- (b) the percentage of HoldCo's shareholding in the Company on an enlarged basis; and

Following the implementation of the Proposal, the HoldCo will not own any other assets or any other liabilities except for the Scheme Shares. As a result, the estimated value of the HoldCo Shares is equal to $(a) \times (b)$.

In deriving a value for (a) at the top end of the range, we have used a value of HK\$2.50 per Share which is equivalent to the value per Share under the Cash Alternative. Additionally, the Estimate of Value are based on the announced value of HK\$2.50 per Share under the Cash Alternative on which CICC expresses no opinion or representation. The HoldCo is established for the purpose of the Proposal and will not hold any cash, assets, indebtedness nor liabilities. The HoldCo has one share in issue which is held by the Offeror. Upon the Scheme becoming effective, one HoldCo share held by the Offeror will then be repurchased and cancelled by HoldCo. It is currently estimated that: assuming only the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders (through Hwabao) elect (or give instruction to elect) the Cash Alternative pursuant to the Controlling Shareholders Irrevocable Undertaking, the Minority IU Shareholders Irrevocable Undertakings, and the Entrustment Minority Shareholders Irrevocable Undertakings, respectively, and assuming no Outstanding Share Options were exercised before the Option Record Date 452,192,000 New Shares will be issued. The Company will be owned by the Offeror and HoldCo as to 49.9% and 50.1% respectively. The exact number of the New Shares issued by the HoldCo is dependent on the level of acceptances of the Share Alternative and, as such, this range of values has been used in deriving a value for (b).

As stated above, we have derived the lower end of the range for the Estimate of Value for each HoldCo Share, by assuming a 30% discount to the value calculated above to reflect the lack of marketability and shareholders' rights, of an unlisted share.

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, including, but not limited to, the above qualitative factors, the effects of which are difficult to predict. Consequently, the view expressed in this letter is not necessarily indicative of: (i) the price at which the HoldCo Shares might actually trade as at the date hereof or at any future date; (ii) the amount which might be realised upon a sale of a HoldCo Share to a third party; or (iii) the amount that might be realized by a holder of a HoldCo Share on liquidation of the HoldCo. Our Estimate of Value may differ substantially from estimates available from other sources. In addition, our view would be expected to fluctuate with changes in prevailing market conditions, the financial conditions and prospects of the HoldCo and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of a HoldCo Share will not be higher or lower than the Estimate of Value.

Assuming only the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders elect the Cash Alternative:

At the top end of the range, we derive our value of the HoldCo Shares with the following values for (a) and (b):

- (a) is equal to approximately HK\$2,257,710,000 which is the estimated value of all of the outstanding shares (calculated by multiplying the Cash Alternative of HK\$2.50 per Share by the number of Scheme Shares of 903,084,000); and
- (b) is equal to approximately 50.1%,

the multiplication of the values above implies a total value of HoldCo Shares of approximately HK\$1,130,480,000. Based on the number of HoldCo Shares in issue of 452,192,000, this implies a value per HoldCo Share of HK\$2.50 at the top end of the range.

At the bottom end of the range, we derive our value of the HoldCo Shares as follows:

Assuming a 30% discount of non-marketability of the HoldCo Shares, this implies a value per HoldCo Share of HK\$1.75 at the bottom end of the range.

	Assuming only the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders elect the Cash Alternative
(a) The value of all of the Scheme Shares	HK\$2,257,710,000
(b) HoldCo's percentage of shareholding in the Company	50.1%
Total value of the New Shares issued by the HoldCo	HK\$1,130,480,000
Number of HoldCo Shares in issue	452,192,000
Top End Value Per HoldCo Share	HK\$2.50
Bottom end value per HoldCo Share (Assuming a 30% discount for non-marketability of the HoldCo Shares)	HK\$1.75

The scenario shown above where only the Controlling Shareholders, the Minority IU Shareholders, and the Entrustment Minority Shareholders elect the Cash Alternative has an estimated value of HK\$2.50 at the top end of the range and an estimated value of HK\$1.75 at the bottom end of the range. While it is not certain whether the remaining Scheme Shareholders (including Dazhong (Hong Kong), Shanghai Dazhong, and Action East, being members of the IU Shareholders) would elect the Cash Alternative or the Share Alternative, in any circumstances, where a proportion of the Scheme Shareholders elect either of the Cash Alternative or the Share Alternative, the Estimate of Value for each of the HoldCo Shares would remain the same at HK\$2.50 at the top end of the range, and an estimated value of HK\$1.75 at the bottom end of the range, except for the situation where 100% of the Scheme Shareholders elect the Cash Alternative, in which a valuation would be inapplicable as no HoldCo Share will be issued.

In determining the Estimate of Value, we have not taken into account, among other things, any financial projections of the Company for the year ended 31 December, 2021 and beyond.

No account has been taken of any potential transaction costs that a holder of the Shares may incur in regard to accepting the Proposal, or in any attempted or actual sale of HoldCo Shares.

No account has been taken of any potential transaction costs that a holder of HoldCo Shares may incur, or any potential costs that might be associated with a sale of the HoldCo to a third party or a liquidation of the HoldCo, which might be expected to reduce any return to a holder of an HoldCo Share upon the occurrence of such an event.

We have produced the Estimate of Value using these methodologies and taken into account the information, factors, assumptions and limitations set out above.

ESTIMATE OF VALUE

On the basis of the above assumptions and methodology adopted by us and subject to the foregoing, the Estimate of Value as defined in this letter are within a range of between HK\$1.75 and HK\$2.50 for each HoldCo Share. This Estimate of Value does not represent a formal opinion of the value of a HoldCo Share or a Share by CICC.

Under the Share Alternative, each Shareholder is entitled to receive one HoldCo Share for every Scheme Share held. This implies a value of approximately HK\$1.75 to HK\$2.50 for each Share.

GENERAL

CICC is acting as the Financial Adviser to the Offeror in relation to the Proposal and not to anyone else in connection with the Proposal. CICC will not be responsible to anyone other than the Offeror for providing advice in relation to the Proposal, the contents of the Scheme Document or any other matter referred to in the Scheme Document.

Shareholders are urged to read carefully all the information contained in the Scheme Document.

The value of a HoldCo Share may be impacted by the factors described in this letter.

Further, in providing the Estimate of Value, CICC expresses no opinion or recommendation to any person as to whether they should vote in favour of the Proposal or whether they should make any election to choose the Cash Alternative or the Share Alternative. Shareholders are recommended to seek their own independent financial advice. Further, CICC expresses no opinion as to the fairness of the amount of the Cash Alternative and/or the number and nature of shares comprised in the Share Alternative as referenced in the Proposal.

Yours faithfully,

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Chen Yongren
Managing Director

Li Jie
Managing Director

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 85 of 2022

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE
COMPANIES ACT (2022 REVISION)
AND IN THE MATTER OF THE GRAND COURT RULES 1995
ORDER 102 AND IN THE MATTER OF SUCHUANG GAS CORPORATION
LIMITED
苏创燃气股份有限公司**

SCHEME OF ARRANGEMENT

Between

SUCHUANG GAS CORPORATION LIMITED

苏创燃气股份有限公司

and

THE SCHEME SHAREHOLDERS (as hereinafter defined)

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Beneficial Owner(s)”	beneficial owner(s) of the Shares registered in the name of a Registered Owner(s)
“Board”	the board of directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the Cash Alternative or the Share Alternative
“Cash Alternative”	HK\$2.50 per Scheme Share in cash

“CICC”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation registered under the SFO licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“Companies Act”	the Companies Act (2022 Revision), as consolidated and revised, of the Cayman Islands
“Company”	Suchuang Gas Corporation Limited 苏创燃气股份有限公司, an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1430)
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “4. Conditions to the Proposal and the Scheme” in “Part VIII – Explanatory Memorandum” of the Scheme Document
“Controlling Shareholders”	Fung Yu, Total Honest, Mr. Su Aping and Ms. Zhu Yaying
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court at 10:00 a.m. (Hong Kong time) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“CR Gas”	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1193)

“Disinterested Share(s)”	the Shares in issue as at the Scheme Record Date, other than those beneficially owned by the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Shares include Shares in issue as at the Scheme Record Date which are held by any member of the CICC group on a non-discretionary and non-proprietary basis for and on behalf of its clients
“Disinterested Shareholder(s)”	the registered holder(s) of the Disinterested Shares. For the avoidance of doubt, the Disinterested Shareholders include any member of the CICC group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Election Form”	the blue form of election to be completed by Scheme Shareholders for election of the Cash Alternative or the Share Alternative (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners), which is despatched to Shareholders together with the Scheme Document
“Entrustment Minority Shareholders”	Shanghai Honglida Industrial Co., Ltd.* (上海弘力達實業有限公司) and Ji Xian (吉嫻)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum set out in Part VIII of the Scheme Document
“Fung Yu”	Fung Yu Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Grand Court”	the Grand Court of the Cayman Islands

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HoldCo”	Changjiangwei Limited, a business company incorporated in the British Virgin Islands with limited liability, which is and will continue to be wholly owned by the Offeror before the Scheme becomes effective
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hwabao”	Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a company established in the PRC and a qualified domestic institutional investor (QDII)
“Independent Financial Adviser” or “Essence”	Essence Corporate Finance (Hong Kong) Limited, the independent financial adviser to the Takeovers Code IBC in connection with the Proposal (inclusive of the Scheme and the Option Offer) and the Special Deals and the Listing Rules IBC in connection with the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) (as defined in the Scheme Document) and the transactions contemplated thereunder (other than Kunshan Transfer). Essence is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Latest Practicable Date”	29 April 2022, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	31 August 2022 or such later date the Offeror may determine, subject to the consent of CICC (whose consent shall not be unreasonably withheld) and the permissions of the Grand Court and/or the Executive (as applicable)

“Minority IU Shareholders”	Jade Deluxe Holdings Limited, Fairy Wealth Investments Limited, Kiska International Inc., Xiang Liwen (項麗雯), Zhou Jinming (周錦明), Gao Beifei (高蓓飛), Gu Chongquan (顧重泉), Gao Siyuan (高思源), Gong Yuju (龔玉菊), Huang Jianfen (黃建芬), Hu Yong (胡湧), Zhao Yibi (趙一璧), Zhang Hong (張紅), Jia Meifeng (郝美豐), Ding Bingyuan (丁炳元), Wang Juan (王娟), He Xueping (何學萍) and Zhao Weiliang (趙偉良)
“New Share(s)”	new share(s) in the capital of HoldCo, to be issued pursuant to the Proposal as fully paid and will rank <i>pari passu</i> with all the shares the HoldCo
“Offeror”	China Resources Gas (Hong Kong) Investment Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly owned by CR Gas
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including but not limited to CR Gas, HoldCo, China Resources (Holdings) Company Limited, the Minority IU Shareholders, the Entrustment Minority Shareholders, Hwabao (in its capacity as the trustee for the Entrustment Minority Shareholders) and the Controlling Shareholders
“Option Offer”	the offer to be made by or on behalf of the Offeror to the holders of the Outstanding Share Options (as defined in the Scheme Document)
“PRC”	the People’s Republic of China (for the purpose of the Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and the Taiwan province)

“Proposal”	the proposal for the take-private of the Company by the Offeror by way of the Scheme and the Option Offer, the cancellation of all Scheme Shares and the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registered Owner(s)”	holder(s) of Shares (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of Shares
“Scheme”	the scheme of arrangement proposed under Section 86 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modification, addition or condition which may be approved or imposed by the Grand Court
“Scheme Document”	the composite scheme document jointly issued by the Company and the Offeror dated 4 May 2022, including each of the letters, statements, memorandum, appendices and notices in it
“Scheme Record Date”	17 June 2022, or such other date as shall have been announced to the Shareholders, being the record date for the purposes of determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	the Share(s) in issue on the Scheme Record Date held by the Scheme Shareholders
“Scheme Shareholder(s)”	the registered holder(s) of Scheme Shares as at the Scheme Record Date
“Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share Alternative”	one New Share for every Scheme Share
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“Total Honest”	Total Honest International Investment Ltd (誠創國際投資有限公司), a company incorporated in the British Virgin Islands with limited liability

* *For identification purposes only*

- (B) The Company was incorporated as an exempted company limited by shares on 4 July 2013 in the Cayman Islands under the Companies Act.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$50,000,000 divided into 5,000,000,000 ordinary shares of a single class. As at the Latest Practicable Date, the issued share capital of the Company was HK\$9,030,840 divided into 903,084,000 Shares, with the remainder being unissued. Since 11 March 2015, the Shares of the Company have been listed and traded on the Main Board of the Stock Exchange.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of this Scheme is for the Offeror and HoldCo (to the extent that there are Scheme Shareholders electing the Share Alternative) to hold the entire issued share capital of the Company upon the completion of the Scheme, and for the Shares to be delisted from the Stock Exchange. This is proposed to be achieved by the steps as set out in this Scheme below.
- (F) As at the Latest Practicable Date, the Offeror did not hold any Shares, and the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) being the Offeror Concert Parties in aggregate held 450,894,000 Shares (representing approximately 49.93% of the issued share capital of the Company), except for 2,000 shares held by Zhang Hong, all of which are held in CCASS. In accordance with the Takeovers Code, votes of parties holding those Scheme Shares will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code.
- (G) As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting. The Offeror has agreed to appear by Conyers Dill & Pearman at the hearing of the petition to sanction the Scheme and to undertake to the Grand Court (whether at the hearing or before-hand) to be bound by the Scheme, so as to ensure that

it will be subject to the terms and conditions of the Scheme and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:

- (a) one New Share will be allotted and issued to the Offeror for cash at par;
- (b) subject to and forthwith upon such allotment and issue taking effect, the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
- (c) subject to and forthwith upon the reduction of the issued share capital referred to in paragraph (b) above, the issued share capital of the Company shall be increased to its former amount by the issuance to the Offeror and HoldCo, in proportion to the number of Scheme Shares in exchange of the Cash Alternative and the Share Alternative, credited as fully paid, an aggregate number of Shares which is equal to the number of Scheme Shares cancelled and extinguished, minus one; and
- (d) the Company shall apply the reserve created in its books of account as a result of the capital reduction referred to in paragraph (b) above in paying up in full the new Shares so issued pursuant to paragraph (c) above, which shall be allotted and issued, credited as fully paid, in the relevant proportions to the Offeror and HoldCo.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation of the Scheme Shares, the Offeror shall pay or cause to be paid the Cancellation Consideration to each Scheme Shareholder. Scheme Shareholders (other than the Controlling Shareholders, the Minority IU Shareholders and the Entrustment Minority Shareholders (through Hwabao) which have undertaken (or give instruction to elect) that they will elect the Cash Alternative only) are entitled to, at their election, either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Effective Date (but not, for the avoidance of doubt, a combination of the two, save for HKSCC

Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who do not make any election or whose elections are invalid will receive the Cash Alternative.

PART III

GENERAL

3. (a) No Scheme Shareholder electing the Share Alternative shall be entitled to have allotted to them fractions of New Shares under this Scheme. If any calculation of a Scheme Shareholders entitlement under the Share Alternative to New Shares could result in a fraction of a New Share, such entitlement will be rounded down to the nearest whole number of New Shares.
- (b) As soon as possible and but in any event within seven Business Days following the Effective Date, the Offeror shall (i) post or cause to be posted cheques representing the sums payable to the Scheme Shareholders who have validly elected the Cash Alternative and the Scheme Shareholders whose elections for the Share Alternative were invalid; and (ii) procure that HoldCo allot and issue New Shares to the Scheme Shareholders who have validly elected the Share Alternative pursuant to paragraph 2 of this Scheme and post or cause to be posted certificates for such New Shares in HoldCo.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar of the Company, being Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, all cheques and certificates for New Shares in HoldCo to be despatched to Scheme Shareholders shall be sent by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective registered addresses as appearing in the Register as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (d) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(c) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (e) All cheques and certificates for shares in HoldCo shall be posted at the risk of the addressees and none of the Offeror, the Company, CICC, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in receipt.

- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(c) of this Scheme, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee). The Offeror (or its nominee) shall hold such monies for those entitled under the terms of this Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (g) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under this Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(f) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
 - (h) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
 - (i) Upon cancellation of the Scheme Shares, the register of members of the Company shall be updated to reflect such cancellation.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and

- (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, this Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning this Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act and the court order confirming the reduction of capital resulting from the cancellation of the Scheme Shares and the minute referred to in section 17(1) of the Companies Act is registered pursuant to Section 17 of the Companies Act.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may see fit to approve or impose.
8. All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.
9. The Scheme shall be governed by the laws of the Cayman Islands.

4 May 2022

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. FSD 85 of 2022

**IN THE MATTER OF SECTIONS 15 AND 86 OF THE
COMPANIES ACT (2022 REVISION)
AND IN THE MATTER OF THE GRAND COURT RULES 1995
ORDER 102 AND IN THE MATTER OF SUCHUANG GAS CORPORATION
LIMITED
苏创燃气股份有限公司**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated the 20th day of April 2022 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting of the Scheme Shareholders (as defined in the Scheme, as further defined below) (the “**Court Meeting**”) to be convened for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders and that the Court Meeting will be held at 10:00 a.m. (Hong Kong time) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the People’s Republic of China at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory memorandum (the “**Explanatory Memorandum**”) explaining the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the Scheme Document can also be obtained by any person entitled to attend the Court Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) from the Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Any Scheme Shareholders entitled to attend and vote at the Court Meeting may attend and vote in person at the Court Meeting or he/she/it may appoint another person, whether a member of the Company or not, as his/her/its proxy to attend and vote in his/her/its stead. A Scheme Shareholder who is the holder of two or more Scheme Shares may appoint more than one proxy to represent him/her/it. If more than one proxy is appointed, the number of Scheme Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy. A pink form of proxy for use at the Court Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Scheme Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Scheme Share.

It is requested that the pink form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, be lodged at the Share Registrar as stated above no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively the pink form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting.

Completion and return of the form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof. In the event that a Scheme Shareholder attends and votes at the Court Meeting or any adjournment thereof after having lodged his/her/its form of proxy, his/her/its form of proxy shall be revoked by operation of law.

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from 3 June 2022 to 10 June 2022 (both days inclusive), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar as stated above before 4:30 p.m. (Hong Kong time) on 2 June 2022.

By the same order, the Court has appointed Mr. Li Jianyi, an executive Director or failing him, any other Director at the time of the Court Meeting to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the result thereof to the Grand Court.

The Scheme will be subject to the subsequent sanction of the Court as set out in the Explanatory Memorandum contained in the Scheme Document.

By Order of the Court
Suchuang Gas Corporation Limited
苏创燃气股份有限公司

Dated the 4th day of May 2022.

Registered office:

Windward 3, Regatta Office Park, PO Box 1350
Grand Cayman KY1-1108, Cayman Islands

Headquarters and principal place of business in the PRC

116 Loujiang South Road, Taicang City, Suzhou
Jiangsu Province, the PRC, 215400

Principal place of business in Hong Kong

30th Floor, One Taikoo Place
979 King's Road
Hong Kong

As at the date of this notice, the executive Directors are Ms. Su Yi, Mr. Du Shaozhou, Mr. Li Jianyi, and Ms. Su Wen; the non-executive Directors are Mr. Xu Lei and Mr. Jin Bo; and the independent non-executive Directors are Mr. Zhou Qingzu, Mr. Zhu Tong, and Mr. Feng Yijing.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) At the Court Meeting, the Scheme will be voted on by way of poll as required under the Listing Rules and the Takeovers Code.
- (iii) As set out in the section headed “**Special Arrangements for the Court Meeting and the General Meeting**” in the Scheme Document, the Company wishes to advise Scheme Shareholders who are unable to attend the Court Meeting in person to exercise their rights to attend and vote at the Court Meeting by appointing any person or the chairman of the Court Meeting as their proxy to vote according to their indicated voting instructions and viewing and listening to a live broadcast of the Court Meeting via Tricor e-Meeting system. Scheme Shareholders will be able to view and listen to the Court Meeting and submit questions online in accordance with the instructions as stated in the letter sent to the scheme shareholders of the Company. Beneficial owners or CCASS non-registered Shareholders whose Shares are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (together the “**Intermediary**”) can also view and listen to the Court Meeting and submit questions online. In this regard, they should consult directly with their Intermediary for the necessary arrangements and the personalized login and access code will be sent to them upon receipt of request through their Intermediary. Scheme Shareholders should note that viewing the live broadcast of the Court Meeting via Tricor e-Meeting system will not be counted towards quorum nor will they be able to cast their votes online.
- (iv) The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and the PRC government, and if necessary will make further announcement(s) in case of any update regarding the precautionary measures to be implemented at the Court Meeting. Scheme Shareholders should check the latest policies and notices announced by the Hong Kong government, the PRC government, the website of the Company at <http://www.suchuanggas.com/> and the website of the Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk/> for future updates on the Court Meeting arrangements.



蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED

蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1430)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**General Meeting**”) of Suchuang Gas Corporation Limited, an exempted company incorporated in the Cayman Islands (the “**Company**”), will be held at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the Scheme Document, as further defined below) convened at the direction of the Grand Court of the Cayman Islands for the same day and place) on 10 June 2022 at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the People’s Republic of China for the purpose of considering and, if thought fit, passing, the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT:**

- (a) pursuant to a scheme of arrangement dated 4 May 2022 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement);
- (b) immediately prior to the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the subscription by, and allotment and issue to, the Offeror (as defined in the Scheme of Arrangement) of one ordinary share of HK\$0.01 in the share capital of the Company be approved and any one of the directors of the Company be authorized to allot and issue the same accordingly;

- (c) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror and HoldCo (as defined in the Scheme of Arrangement) in proportion to the number of Scheme Shares in exchange of the Cash Alternative (as defined in the Scheme of Arrangement) and Share Alternative (as defined in the Scheme of Arrangement), credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled, minus one;
 - (d) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror and HoldCo pursuant to resolution 3(b) above, and any one of the directors of the Company be authorized to allot and issue the same accordingly; and
 - (e) any one of the directors of the Company be authorized to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement, the reduction of the number of issued shares in the share capital of the Company and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”
2. **“THAT:**
- (a) subject to the Scheme of Arrangement having become effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be approved; and
 - (b) any one of the directors of the Company be authorized to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

ORDINARY RESOLUTION

3. “**THAT** the asset reorganisation agreement (資產重組協議) entered into among the Company, China Suchuang Energy Co., (Hong Kong) Limited (中國蘇創能源(香港)有限公司), Suchuang Gas (Shanghai) Co., Ltd. (蘇創燃氣(上海)有限公司), Total Honest International Investment Ltd (誠創國際投資有限公司) (“**Total Honest**”), Fung Yu Holdings Limited and Taicang Natural Gas Co., Ltd. (太倉市天然氣有限公司) on 25 August 2021 (as amended by a supplemental agreement entered into among the same parties on 14 March 2022) in relation to the sale of the entire issued share capital of Suchuang Dunhua Environmental Technology Company Limited (蘇創敦華環境科技有限公司) by the Company to Total Honest, sale of the entire equity interest in Suchuang Gas (Shanghai) Co., Ltd. (蘇創燃氣(上海)有限公司) by China Suchuang Energy Co., (Hong Kong) Limited (中國蘇創能源(香港)有限公司) to Total Honest, sale of the entire issued share capital of Argus Holding Corporation by the Company to Total Honest and settlement of certain intra-group loans and the transactions contemplated thereunder be approved, confirmed and ratified, and any one of the directors of the Company be authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the aforesaid asset reorganisation agreement and the transactions contemplated thereunder.”

By Order of the Board

SUCHUANG GAS CORPORATION LIMITED

Su Yi

Chairman and Executive Director

Hong Kong, 4 May 2022

As at the date of this notice, the executive Directors are Ms. Su Yi, Mr. Du Shaozhou, Mr. Li Jianyi, and Ms. Su Wen; the non-executive Directors are Mr. Xu Lei and Mr. Jin Bo; and the independent non-executive Directors are Mr. Zhou Qingzu, Mr. Zhu Tong, and Mr. Feng Yijing.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the composite scheme document of the Company dated 4 May 2022 of which this notice forms part (the “**Scheme Document**”) shall have the same meanings when used in this notice.
- (ii) At the General Meeting, the chairman of the General Meeting will put forward the above resolutions to be voted on by way of poll as required under the Listing Rules and the Takeovers Code.
- (iii) A white form of proxy for use at the General Meeting is enclosed with the Scheme Document.
- (iv) Any member entitled to attend and vote at the General Meeting is entitled to appoint another person, whether a member of the Company or not, as his/her/its proxy to attend, speak and vote instead of him/her/it. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
- (v) In order to be accepted, the white form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be lodged at the Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a member from attending and voting in person at the General Meeting or any adjournment thereof. In the event that a member attends and votes at the General Meeting after having lodged his/her/its form of proxy, his/her/its form of proxy shall be revoked by operation of law.
- (vi) In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
- (vii) For the purpose of determining the entitlements of Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from 3 June 2022 to 10 June 2022, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on 2 June 2022.
- (viii) As set out in the section headed “**Special Arrangements for the Court Meeting and the General Meeting**” in the Scheme Document, the Company wishes to advise Shareholders who are unable to attend the General Meeting in person to exercise their rights to attend and vote at the General Meeting by appointing any person or the chairman of the General Meeting as their proxy to vote according to their indicated voting instructions and viewing and listening to a live broadcast of the General Meeting via Tricor e-Meeting system. Shareholders will be able to view and listen to the General Meeting and submit questions online in accordance with the instructions as stated in the letter sent to the shareholders of the Company. Beneficial owners or CCASS non-registered Shareholders whose Shares are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (together the “**Intermediary**”) can also view and listen to the General Meeting and submit questions online. In this regard, they should consult directly with their Intermediary for the necessary arrangements and the personalized login and access code will be sent to them upon receipt of request through their Intermediary. Shareholders should note that viewing the live broadcast of the General Meeting via Tricor e-Meeting system will not be counted towards quorum nor will they be able to cast their votes online.
- (ix) The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and the PRC government, and if necessary will make further announcement(s) in case of any update regarding the precautionary measures to be implemented at the General Meeting. Shareholders should check the latest policies and notices announced by the Hong Kong government, the PRC government, the website of the Company at <http://www.suchuanggas.com/> and the website of the Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk/> for future updates on the General Meeting arrangements.

In case of any inconsistency, the English version of this notice shall prevail.

The following is a form of the Option Offer Letter being sent to each Optionholder in connection with the Option Offer.

4 May 2022

To the Optionholders

Dear Sir or Madam,

**OPTION OFFER IN RELATION TO PROPOSAL FOR THE DELISTING OF
SUCHUANG GAS CORPORATION LIMITED BY
CHINA RESOURCES GAS (HONG KONG)
INVESTMENT LIMITED BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) is provided to you together with this letter. Terms used but not defined in this letter shall have the same meanings as defined in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

Reference is made to the joint announcement of the Offeror and the Company dated 25 August 2021, pursuant to which it is announced that on the same date, the Offeror had requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed delisting of the Company by way of the Scheme. As stated in the Announcement, the Offeror will make an appropriate offer to all the holders of the Outstanding Share Options in accordance with Rule 13 of the Takeovers Code (the “**Option Offer**”), subject to and conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to any Outstanding Share Options held by you. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Share Options was granted (including the terms of the Share Option Scheme).

TERMS OF THE OPTION OFFER

We offer to pay you the amounts (which represent the “see-through” price, being the Cancellation Consideration minus the relevant exercise prices for the respective Outstanding Share Options) as set out in the table below for each Share Option that you hold as at the Option Record Date, in respect of which the underlying Shares are not registered in your name or transferred to you (as the case may be) as at the Scheme Record Date.

Share Option exercise price (HK\$)	Cash consideration (HK\$)
2.00	0.5
2.28	0.22
3.06	0.0001

Note:

- (1) As the exercise price of the relevant Share Options exceeds HK\$2.5, the “see-through” price is zero and a cash offer of a nominal amount of HK\$0.0001 per Share Option will be made.

You may accept the Option Offer by lodging a completed Form of Acceptance in respect of the Option Offer by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to the Option Offer Price with respect to the Shares underlying your Share Option(s).

In consideration for our agreement to pay you the cash consideration set out above (as applicable to your holdings of Share Options), all rights and obligations under your Share Options will be immediately cancelled by the Offeror and the Company upon your acceptance.

Condition to the Option Offer

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from the Stock Exchange.

The Conditions to the Proposal and the Scheme are set out in the section headed “4. Conditions to the Proposal and the Scheme” in “Part VIII – Explanatory Memorandum” of the Scheme Document. You are further advised to refer to the sections headed “17. Registration and Payment” and “18. Overseas Shareholders and Optionholders” in “Part VIII – Explanatory Memorandum” of the Scheme Document.

Payments under the Option Offer

Any cash entitlements under the Option Offer will be paid net of any applicable taxes. Payment in respect of Share Options, in respect of which the underlying Shares have not been registered in the name of the relevant holder as at the Scheme Record Date, shall be made as soon as possible and in any event within seven Business Days of the Effective Date. Your cash entitlements under the Option Offer will continue to be subject to the conditions to entitlement under the existing terms of your Share Options up until the Option Record Date, including the requirement to remain in employment or service of the Group and other terms of the Share Option Scheme.

Payments of cash consideration under the Option Offer may be liable to taxation in the PRC and/or other jurisdictions and the Offeror (on behalf of the Company) will withhold the relevant amount from the payments for the purpose of making the tax payment on behalf of the relevant Optionholders.

It is emphasised that none of the Offeror, the Company, CICC and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Option Offer.

Payment will be made by way of posting to you a cheque at your address registered with the Company. Payments will be made in Hong Kong dollars. You may face delays or obstacles in changing Hong Kong dollars to other currency or cashing such cheques in certain locations or situations.

COURSES OF ACTION AVAILABLE TO HOLDERS OF SHARE OPTIONS

The choices available to you in respect of your Share Options are set out below.

(A) Accept the Option Offer

The Option Offer shall be available to you in respect of all Share Options that you hold as at the Option Record Date (expected to be 17 June 2022) and for which you (or your nominee) have not been registered as the holder of the underlying Shares as at the Scheme Record Date (expected to be 17 June 2022).

You may choose to accept the Option Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance. You are not required to accept the Option Offer in respect of all the Share Options held by you as at the Option Record Date, but you may only choose to either accept or reject the Option Offer in respect of all Share Options with the same Share Option exercise price. In order to choose to accept the Option Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance in respect of all Share Options with a

particular Share Option exercise price, please tick the relevant “Accept” box which correspond to Share Options with such Share Options exercise price on the Form of Acceptance and signing, completing and returning it in accordance with the instructions set out below by not later than 4:00 p.m. on 12 July 2022 (or such later time and/or date as may be notified to you through announcement(s)). Such acceptance of the Option Offer will be in respect of all Share Options held by you as at the Option Record Date at such Share Option exercise price, and you will receive the Option Offer Price for all such Share Options if the Scheme becomes effective.

(B) Non-acceptance of the Option Offer

If you do not complete, sign and return the enclosed Form of Acceptance in accordance with the instructions set out below you will be deemed to have rejected the Option Offer. Such rejection of the Option Offer will be in respect of all unexercised Share Options held by you as at the Option Record Date at such Share Options exercise price, and you will not be entitled to receive the cash consideration offered in respect of any of your Share Options with such Share Options exercise price.

Following receipt of this letter, if you (i) choose to do nothing (including not returning a Form of Acceptance) or (ii) fail to complete, sign and return a Form of Acceptance, or (iii) fail to return a completed and signed Form of Acceptance by no later than 4:00 p.m. on 12 July 2022 or such other date and time as may be notified to you by the Offeror or CICC or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange, and the Scheme becomes effective, you will be treated as if not having accepted the Option Offer in respect of all Share Options held by you as at the Option Record Date and you will receive neither the Option Offer Price nor the Cancellation Consideration.

(C) Become a Scheme Shareholder

If any of your Share Options are or become exercisable, you may choose to pay the exercise price and applicable taxes and exercise your Share Options under their terms prior to the Latest Options Exercise Time. If, as a result, you are a registered holder of the underlying Shares as at the Scheme Record Date (expected to be 17 June 2022), such Shares will form part of the Scheme Shares and will be cancelled if the Scheme becomes effective. You will then be entitled to receive the Cancellation Consideration for Scheme Share that you hold as at the Scheme Record Date.

Please note, however, that as the cash consideration offered for each Share Option under the Option Offer is based on a “see-through price” equal to the Cancellation Consideration of HK\$2.50 minus any applicable exercise price, there is no monetary benefit to taking this course of action. Nonetheless, Scheme Shareholders as at the Meeting Record Date will be entitled, subject to the Takeovers Code, to attend and vote at the Court Meeting and the General Meeting, whereas you will not have such right to attend and vote if you are only an Optionholder.

HOW TO RETURN THE FORM OF ACCEPTANCE

You should return the duly completed and executed Form of Acceptance to the Offeror, care of Suchuang Gas Corporation Limited at 116 Loujiang South Road, Taicang City, Suzhou, Jiangsu Province, the PRC, 215400 for the attention of the Company Secretarial Department of the Company and marked “Suchuang Gas Corporation Limited – Option Offer” by no later than 4:00 p.m. on 12 July 2022 (or such other date and time as may be notified to you by the Offeror or CICC or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).

Before returning the Form of Acceptance, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

LAPSED SHARE OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of its grant or the Share Option Scheme. You cannot accept the Option Offer in respect of a Share Option which has lapsed or will have lapsed by the Option Record Date.

According to clause 15.2 of the Share Option Scheme, if during the exercise period of the Share Options an application is made to the court (otherwise than where the Company is being voluntarily wound up), pursuant to the Companies Act and/or Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the grantees may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise their Share Options to their full extent or the extent specified in such notice.

According to clause 15.4 of the Share Option Scheme, upon the occurrence of any of the events referred to in clause 15.2 of the Share Option Scheme, notice of that event and the effect thereof shall be given by the Company to all the grantees as soon as reasonably practicable.

According to clause 11.1(f) of the Share Option Scheme, the Share Options shall lapse (to the extent not already exercised), in the case of clause 15.2 of the Share Option Scheme, on the expiry of the 21-day period stated therein, provided that the Scheme becomes effective. The lapse of any Share Option(s) in accordance with clause 15.2 of the Share Option Scheme shall not impact the operation and validity of the Option Offer and the entitlement of the Optionholders to receive the Option Offer Price from the Offeror in respect of any valid acceptance of the Option Offer. Each Optionholder as at the Option Record Date who accepts the Option Offer and lodges a completed Form of Acceptance by the prescribed deadline set

out in “Part III – Expected Timetable” of this Scheme Document will be entitled to receive the Option Offer Price, notwithstanding the lapse of the Share Options on the expiry of the 21-day period under clause 15.2 of the Share Option Scheme (provided the Scheme becomes effective).

RECOMMENDATION OF THE TAKEOVERS CODE IBC, THE LISTING RULES IBC AND THE INDEPENDENT FINANCIAL ADVISER

Your attention is drawn to the letter from the Takeovers Code IBC to the Disinterested Shareholders, the Independent Shareholders and the Optionholders in respect of the Proposal, the Scheme, the Option Offer and the Special Deals set out in Part V of the Scheme Document, letter from the Listing Rules IBC to the Independent Shareholders on the Special Deal Agreement (as amended by the Supplemental Agreement to Special Deal Agreement) and the transactions contemplated thereunder (other than Kunshan Transfer) set out in Part VI of the Scheme Document and the letter from Essence Corporate Finance (Hong Kong) Limited, the Independent Financial Adviser, set out in Part VII of the Scheme Document which contain the recommendation of the Takeovers Code IBC, the Listing Rules IBC and of the Independent Financial Adviser, respectively, in relation to the Proposal, the Scheme, the Option Offer and the Special Deals.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document, the Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisor.

DECLARATION

By returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including, without limitation, those set out in this letter and the Form of Acceptance), and that you have received the Scheme Document and this letter;
- (b) warrant and confirm that each Share Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Share Option shall become void once that Share Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;

- (c) acknowledge that you cease to have any rights or obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of such Share Option (including any Share Option with exercise prices of HK\$2.00 and HK\$2.28 respectively you hold for which you are only entitled to receive a “see-through” price of HK\$0.50 and HK\$0.22 respectively for every Share Option, and/or any Share Options with an exercise price of HK\$3.06 you hold for which you are only entitled to receive a nominal amount of cash consideration of HK\$0.0001 per Share Option (or part thereof)) you hold in respect of which you accept the Option Offer and agree that all rights and obligations under such Share Options will be cancelled;
- (d) confirm that any acceptance of the Option Offer cannot be withdrawn or altered;
- (e) authorise the Company, the Offeror and/or CICC, jointly and severally, or any director or officer of the Company or the Offeror or CICC or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to or in consequence of your acceptance of the Option Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance; and
- (f) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

GENERAL

All communications, notices, Form(s) of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of CICC, the Offeror or the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter shall be taken as having been received by you within one Business Days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.

The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to CICC, the Offeror, any director of the Offeror, the board of directors of the Offeror or their respective agents to complete and execute any document on behalf of the Optionholders and to do any other act, that may be necessary or expedient for the purpose of cancelling, or transferring to the Offeror or such person(s) as the Offeror shall direct, all rights of the Optionholders in respect of the Share Options which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may, if the Offeror determine it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter, including the date specified for receipt.

By accepting the Option Offer in respect of a particular Share Option, you irrevocably and at your own risk elect to authorise the Offeror, the Company, CICC and/or such person(s) as the Offeror shall direct to send to you, or procure the sending to you of, the payment to which you are entitled.

Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. All Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the directors of Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The directors of the Offeror and CR Gas jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this Scheme Document misleading.

Yours truly,

For and on behalf of

China International Capital Corporation Hong Kong Securities Limited

Chen Yongren

Managing Director

Li Jie

Managing Director