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CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

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

(Stock code: 1940)

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**

Nuada Limited

BACKGROUND

Reference is made to the section headed “Continuing Connected Transaction” in the Prospectus in relation to, among others, the Master Agreements.

On 17 June 2020, the Company entered into the Master Agreements to regulate certain continuing connected transactions with the HBIS Group, being the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement, the Master Miscellaneous Services Agreement and the Master Lease Agreement. The initial term of each Master Agreement will expire on 31 December 2022 and shall thereafter be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules. The parties to each Master Agreement have agreed to renew the term of each Master Agreement for a period of three years from 1 January 2023 to 31 December 2025, subject to compliance with all applicable provisions of the Listing Rules (including but not limited to the approval of the Independent Shareholders, if required).

IMPLICATONS UNDER THE LISTING RULES

As at the date of this announcement, HBIS is one of the Controlling Shareholders of the Company, holding approximately 35.99% of the issued share capital of the Company through its subsidiaries. Therefore, HBIS and the members of the HBIS Group are connected persons of the Company and transactions between the Company and the members of the HBIS Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps, as one or more applicable percentage ratios exceed 5%, the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and their respective annual caps are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

In respect of the Proposed Miscellaneous Services Annual Caps and the Proposed Lease Annual Caps, as one or more applicable percentage ratios exceed 0.1% but all of which are less than 5%, the renewal of the Master Miscellaneous Services Agreement and the Master Lease Agreement and transactions contemplated thereunder, and their respective annual caps are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

EGM

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Xiao Huan Wei and Ms. Li Chun Elsy, has been established to advise the Independent Shareholders on the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps. Nuada Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or around 5 December 2022.

BACKGROUND

Reference is made to the section headed “Continuing Connected Transaction” in the Prospectus in relation to, among others, the Master Agreements.

On 17 June 2020, the Company entered into the Master Agreements to regulate certain continuing connected transactions with the HBIS Group, being the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement, the Master Miscellaneous Services Agreement and the Master Lease Agreement. The initial term of each Master Agreement will expire on 31 December 2022 and shall thereafter be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules. The parties to each Master Agreement have agreed to renew the term of each Master Agreement for a period of three years from 1 January 2023 to 31 December 2025, subject to compliance with all applicable provisions of the Listing Rules (including but not limited to the approval of the Independent Shareholders, if required).

MASTER GAS PRODUCTS AND RELATED SERVICES AGREEMENT

On 17 June 2020, the Company entered into the Master Gas Products and Related Services Agreement with HBIS, pursuant to which the Company agreed to supply gas products (including pipeline and liquefied industrial gas and other gas products as agreed by the Group and members of the HBIS Group from time to time) and provide related services (including provision of gas transmission and storage tanks rental services) to members of the HBIS Group mainly for their production of iron and steel products (the “**Gas Products and Related Services Transactions**”) for a period commencing from the Listing Date and ending on 31 December 2022.

Principal terms of the Master Gas Products and Related Services Agreement are as follows:

Term: Commencing from the Listing Date and ending on 31 December 2022. It will be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules.

Transactions: At any time during the term, the Group may from time to time enter into operational agreement(s) with members of the HBIS Group in relation to any Gas Products and Related Services Transaction(s) upon, and subject to, the terms and conditions of the Master Gas Products and Related Services Agreement (the “**Operational Gas Products and Related Services Agreements**”). Each of the Company and HBIS agreed to procure their respective members to comply with the terms of the Master Gas Products and Related Services Agreement.

Pricing guidelines: The unit price for each type of industrial gas products and the fees for related services are set out in the relevant Operational Gas Products and Related Services Agreement subject to adjustment by parties entering into a supplemental agreement. The unit price for each type of the pipeline industrial gas products is determined on cost plus basis after arm’s length negotiations between the relevant parties, taking into account major costs, including electricity expenses (with reference to the government-prescribed price), depreciation of equipment and the administrative and finance cost. The unit price of each type of liquefied industrial gas and fees for storage tanks rental services will be determined with reference to the relevant market price charged by Independent Third Party providers for the same or similar type of liquefied industrial gas and rental services and actual cost which includes the transportation cost, where applicable. The fees for gas transmission are based on actual costs and expenses incurred in providing such service.

Monthly settlement is made on the basis of the actual supply volume subject to the minimum purchase volume by each of the relevant member of the HBIS Group under the relevant Operational Gas Products and Related Services Agreement where applicable.

As the Group's business is electricity intensive, where relevant, the existing Operational Gas Products and Related Services Agreements provide for a price adjustment mechanism with a pre-determined formula to factor in the fluctuation in electricity price and supplemental agreements between the Group and relevant member of the HBIS Group have been or will be made to reflect the price adjustment under such mechanism.

The following table sets out the major existing Operational Gas Products and Related Services Agreements as at the date of this announcement:

Counterparty	Relationship with the Group	Nature of the transaction	Term
HBIS Tangshan Branch* (河鋼股份有限公司唐山分公司)	Branch of HBIS Company	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen, and hydrogen and liquefied oxygen, nitrogen and argon	March 2007 to March 2037
Tangshan Stainless Steel Company Limited* (唐山不銹鋼有限責任公司)	Subsidiary of HBIS Tangsteel	Supply of industrial gas, including but not limited to pipeline oxygen and nitrogen, and liquefied oxygen, nitrogen and argon	March 2007 to March 2037
Tangshan Plate Material Company Limited* (唐山中厚板材有限公司)	Subsidiary of HBIS Company	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen and hydrogen and liquefied oxygen, nitrogen and argon	January 2015 to December 2029 and further extended to September 2033
Tangshan Car Plate Company Limited* (唐山鋼鐵集團高強汽車板有限公司)	Subsidiary of HBIS Tangsteel	Supply of industrial gas, including but not limited to pipeline nitrogen and hydrogen	January 2019 to December 2022
HBIS Laosteel Company Limited* (河鋼樂亭鋼鐵有限公司)	A wholly-owned subsidiary of HBIS Xuansteel, which is a subsidiary of HBIS	Supply of industrial gas, including but not limited to pipeline oxygen, nitrogen, argon and hydrogen and liquefied oxygen and nitrogen	October 2020 to October 2035

Despite that the Master Gas Products and Related Services Agreement has an initial term of three years, the majority of the major existing Operational Gas Products and Related Services Agreements were entered into on a long-term basis as set out above. The Directors believe that the long-term industrial gas supply arrangement can protect the interests of the Company and the Shareholders by minimising the Company's investment and capital risk in incurring a large amount of capital expenditure in the construction of production facilities before generating any revenue. The Directors are of the view that the long-term industrial gas supply arrangement is necessary for the efficient and continuing operation of the Company.

Historical transaction amounts and the Proposed Gas Products Annual Caps

In view of the upcoming renewal of the Master Gas Products and Related Services Agreement, the Company and HBIS have agreed on the Proposed Gas Products Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules. Details of the historical transaction amounts of the Gas Products and Related Services Transactions with the HBIS Group and the Proposed Gas Products Annual Caps as agreed between the Company and HBIS are set out below:

	For financial years ended/ending		
	31 December		
	2020	2021	2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Original annual caps	1,084.9	1,525.1	1,671.5
Historical transaction amounts	1,046.1	889.8	863.2
			(up to 31 October 2022)
	2023	2024	2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Gas Products Annual Caps	1,410.0	1,621.0	1,864.0

Basis of the Proposed Gas Products Annual Caps

In arriving at the Proposed Gas Products Annual Caps, the Directors have considered the following major factors:-

- (i) the current production capacity of the equipment of the Group;
- (ii) the historical sales amount of the gas products and related services to the HBIS Group for the financial years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022;
- (iii) the minimum purchase volume, where applicable, for each type of the pipeline industrial gas under the existing Operational Gas Products and Related Services Agreements;
- (iv) the production plans of the pipeline industrial gas customers of the Company which reflect the anticipated pipeline industrial gas demand of such customers for the year ending 31 December 2023;
- (v) the agreed unit price for each type of the gas products and related services under the existing Operational Gas Products and Related Services Agreements, which is expected to remain stable but subject to possible price adjustment due to the electricity price fluctuation;
- (vi) the estimated 15% increase per annum in demand of the gas products and related services to the HBIS Group for the financial years ending 31 December 2024 and 2025, respectively; and
- (vii) an additional 10% buffer on the forecast amount.

Reasons for and benefits of entering into the Gas Products and Related Services Transactions

The HBIS Group is a leading state-owned iron and steel group in Hebei Province and the Group and the HBIS Group are long-standing partners. Ever since the first operating subsidiary of the Group which was initially set up in 2007, the Group has been supplying industrial gas to the HBIS Group in close proximity of the Tangshan area adjacent to the iron and steel production sites of the relevant members of the HBIS Group as their exclusive industrial gas supplier within each of such iron and steel production sites.

Given the HBIS Group's dominant position in PRC's iron and steel industry and in particular in Hebei Province where the iron and steel industry is and is expected to continue to be dominated by only a few players, as well as its needs for industrial gas for iron and steel production, the Directors

believe that the sales of industrial gas to the HBIS Group will provide the Company a steady source of income and it is in the interests of the Company and the Shareholders as a whole to continue to carry out the Gas Products and Related Services Transactions.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) considers that the Master Gas Products and Related Services Agreement has been conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Master Gas Products and Related Services Agreement and the Proposed Gas Products Annual Caps are fair and reasonable and renewal of such master agreement in the interest of the Company and its Shareholders as a whole.

MASTER UTILITIES AND RELATED SERVICES AGREEMENT

On 17 June 2020, the Company entered into the Master Utilities and Related Services Agreement with HBIS, pursuant to which the Company agreed to procure from members of the HBIS Group utilities including, among others, water, electricity, steam and coke oven gas (“COG”), related equipment (including electrical cabinet and cables) and services (including sewage treatment services) (the “**Utilities and Related Services**”) (the “**Utilities and Related Services Transactions**”) for a period commencing from the Listing Date and ending on 31 December 2022.

Principal terms of the Master Utilities and Related Services Agreement are as follows:

Term: Commencing from the Listing Date and ending on 31 December 2022. It will be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules.

Transactions: At any time during the term, the Group may from time to time enter into operational agreement(s) with members of the HBIS Group in relation to any Utilities and Related Services Transaction(s) upon, and subject to, the terms and conditions of the Master Utilities and Related Services Agreement (the “**Operational Utilities and Related Services Agreements**”). Each of the Company and HBIS agreed to procure their respective members to comply with the terms of the Master Utilities and Related Services Agreement.

Pricing guidelines: The pricing of each of the Utilities and Related Services provided under the Master Utilities and Related Services Agreement shall be determined with reference to the following principles in ascending order:

- (i) government-prescribed price: if at any time, the government-prescribed price is applicable to any particular type of the Utilities and Related Services, such type of Utilities and Related Services shall be provided at the applicable government-prescribed price, whether national or local, such as the electricity price prescribed by the Development and Reform Commission of Hebei Province and water price prescribed by the Development and Reform Commission of Tangshan;
- (ii) government-guided price: if at any time, the government-guided price is applicable to any particular type of the Utilities and Related Services, such type of Utilities and Related Services shall be provided within the range of such government-guided price, whether national or local;
- (iii) tendering process (where applicable): where the above two price standards are not available for a particular type of the Utilities and Related Services and any of the Utilities and Related Services Transactions is subject to tendering process in accordance with the relevant internal policies and procedures of members of the Group, the price of such type of the Utilities and Related Services shall be determined by tendering process in accordance with the relevant internal policies and procedures of members of the Group; and

(iv) market price: where the above price standards are not available for a particular type of the Utilities and Related Services, the price of such type of Utilities and Related Services shall be determined with reference to the market price. In determining the market price, both parties shall take into consideration the following key factors:

- (a) the prevailing market prices charged by Independent Third Parties for providing the same or similar type of Utilities and Related Services in the region where the type of the Utilities and Related Services is provided by relevant members of the HBIS Group;
- (b) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Utilities and Related Services to the Independent Third Parties; and
- (c) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Utilities and Related Services to other members of the HBIS Group.

The following table sets out the major existing Operational Utilities and Related Services Agreements as at the date of this announcement:

Counterparty	Relationship with the Group	Nature of the transaction	Term
HBIS Tangshan Branch* (河鋼股份有限公司唐山分公司)	Branch of HBIS Company	Procurement of utilities, including electricity, water, steam and COG	March 2007 to March 2037
Tangshan Stainless Steel Company Limited* (唐山不銹鋼有限責任公司)	Subsidiary of HBIS Tangsteel	Procurement of utilities, including electricity, water and steam	March 2007 to March 2037
Tangshan Plate Material Company Limited* (唐山中厚板材有限公司)	Subsidiary of HBIS Company	Procurement of utilities, including electricity, water and steam	January 2015 to December 2029 and further extended to September 2033
HBIS Laosteel Company Limited* (河鋼樂亭鋼鐵有限公司)	A wholly-owned subsidiary of HBIS Xuansteel, which is a subsidiary of HBIS	Procurement of utilities, including electricity, water, steam and COG	October 2020 to October 2035

Despite that the Master Utilities and Related Services Agreement has an initial term of three years, the major existing Operational Utilities and Related Services Agreements were entered into on a long-term basis as set out above. The terms including the renewal arrangements of the major existing Operational Utilities and Related Services Agreements are in line with the terms of the major existing Operational Gas Products and Related Services Agreements with the respective members of the HBIS Group.

Historical transaction amounts and the Proposed Utilities Annual Caps

In view of the upcoming renewal of the Master Utilities and Related Services Agreement, the Company and HBIS have agreed on the Proposed Utilities Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules. Details of the historical transaction amounts of the Utilities and Related Services Transactions from the HBIS Group and the Proposed Utilities Annual Caps as agreed between the Company and HBIS are set out below:

	For financial years ended/ending		
	31 December		
	2020	2021	2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Original annual caps	887.8	1,339.0	1,496.0
Historical transaction amounts	747.9	781.8	758.2
			(up to 31
			October 2022)
	2023	2024	2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Utilities Annual Caps	1,168.0	1,343.0	1,545.0

Basis of the Proposed Utilities Annual Caps

In arriving at the Proposed Utilities Annual Caps, the Directors have considered the following major factors:

- (i) the historical transaction amounts for the financial years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022;
- (ii) the Group's projected demand for utilities (including electricity, water and steam, COG and etc.), which are mainly procured from the HBIS Group based on the Group's gas production schedule for the year ending 31 December 2023;

- (iii) the agreed unit price for each type of the Utilities and Related Services (such as electricity, water, coke oven gas and etc.) under the existing Operational Utilities and Related Services Agreements which is expected to remain stable;
- (iv) the estimated 15% increase per annum in demand of the Utilities and Related Services for the financial years ending 31 December 2024 and 2025, respectively; and
- (v) an additional 10% buffer on the forecast amount.

Reasons for and benefits of entering into the Utilities and Related Services Transactions

It is an industry norm for on-site pipeline industrial gas suppliers to operate their industrial gas production facilities on or in close proximity of production site of their on-site customers and for such on-site customers to provide electricity, water or road access and other utilities and common facilities for their on-site pipeline industrial gas suppliers for the operation of the industrial gas production facilities to secure reliable, stable and continuous pipeline industrial gas production and supply.

The main reason for the Company to engage its pipeline industrial gas customers as utility suppliers is that the Company can share the utility distribution network already established by them thereby saving the construction costs required to separately build its own utility distribution network. Given that most of the Group's industrial gas production facilities were injected by or acquired from the HBIS Group with infrastructure of the utilities initially set up thereon by the local utilities authorities or by the HBIS Group when the Company was established, the Company has been procuring the utilities required for the production of industrial gas through the existing connecting utility facilities, such as wires and pipes, of the relevant members of the HBIS Group. With the Company's utility purchase contracts in place in conjunction with industrial gas supply contracts, the Company is able to maintain its profitability.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) considers that the Master Utilities and Related Services Agreement has been conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Master Utilities and Related Services Agreement and the Proposed Utilities Caps are fair and reasonable and the renewal of such master agreement is in the interest of the Company and its Shareholders as a whole.

MASTER MISCELLANEOUS SERVICES AGREEMENT

On 17 June 2020, the Company entered into the Master Miscellaneous Services Agreement with HBIS, pursuant to which the Company agreed to outsource certain services (the “**Miscellaneous Services**”) including, among others, the maintenance of utilities facilities, canteen, healthcare, parking for the staff and visiting personnel, transportation of hazardous chemicals, labour despatch, project design and mapping, the maintenance of vehicles and greenery services (the “**Miscellaneous Services Transactions**”) to the HBIS Group for a period commencing from the Listing Date and ending on 31 December 2022.

Principal terms of the Master Miscellaneous Services Agreement are as follows:

Term: Commencing from the Listing Date and ending on 31 December 2022. It will be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules.

Transactions: At any time during the term, the Group may from time to time enter into operational agreement(s) with the members of the HBIS Group in relation to any Miscellaneous Services Transaction(s) upon, and subject to, the terms and conditions of the Master Miscellaneous Services Agreement (the “**Operational Miscellaneous Services Agreements**”). Each of the Company and HBIS agreed to procure their respective members to comply with the terms of the Master Miscellaneous Services Agreement.

Pricing guidelines: The pricing of each of the Miscellaneous Services provider under the Master Miscellaneous Services Agreement shall be determined with reference to the following principles in ascending order:

- (i) tendering process (where applicable): where any of the Miscellaneous Services Transactions is subject to tendering process in accordance with relevant internal policies and procedures of members of the Group, the price of such type of Miscellaneous Services shall be determined by tendering process in accordance with relevant internal policies and procedures of members of the Group; and
- (ii) market price: where the above price standard is not available for a particular type of Miscellaneous Services, the price of such type of Miscellaneous Services shall be determined with reference to the market price. In determining the market price, both parties shall take into consideration the following key factors:
 - (a) the prevailing market prices charged by Independent Third Parties for providing the same or similar type of Miscellaneous Services in the region where the type of Miscellaneous Services is provided by relevant members of the HBIS Group;
 - (b) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Miscellaneous Services to Independent Third Parties; and
 - (c) the prices charged by relevant members of the HBIS Group for providing the same or similar type of Miscellaneous Services to other members of the HBIS Group.

Historical transaction amounts and the Proposed Miscellaneous Services Annual Caps

In view of the upcoming renewal of the Master Miscellaneous Services Agreement, the Company and HBIS have agreed on the Proposed Miscellaneous Services Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules. Details of the historical transaction amounts of the Miscellaneous Services Transactions with the HBIS Group and the Proposed Miscellaneous Services Annual Caps as agreed between the Company and HBIS are set out below:

	For financial years ended/ending		
	31 December		
	2020	2021	2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Original annual caps	19.0	22.8	25.1
Historical transaction amounts	15.9	16.3	12.6
			(up to 31 October 2022)
	2023	2024	2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Miscellaneous Services Annual Caps	20.0	22.0	24.2

Basis of the Proposed Miscellaneous Services Annual Caps

In arriving at the annual caps, the Directors have considered the following major factors:

- (i) the historical transaction amounts for the financial years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022; and
- (ii) the estimated 10% increase per annum in demand of the Miscellaneous Services for the year ending 31 December 2024 and 2025, respectively.

Reasons for and benefits of entering into the Miscellaneous Services Transactions

As the Group has been and will be procuring utilities from the HBIS Group through the facilities connecting to the infrastructure of the HBIS Group, the Directors consider that it would be commercially sensible to outsource the relevant utilities facilities maintenance services to the HBIS Group as they would be more familiar and in a better position to deal with the wear and tear and any malfunctions of the facilities.

Further, as the Group is required to operate its gas production facilities on or in the proximity of the production site of its on-site customers, which are members of the HBIS Group, it is more convenient for the Group to procure the canteen, health care, parking, maintenance of vehicles, greenery and other miscellaneous services from the HBIS Group.

With regard to the labour despatch services, the Company may require additional labour for certain temporary, auxiliary or substitutable positions and a member of the HBIS Group has the qualification to provide such labour despatch services, so it is convenient and reasonable for the Company to procure such services from them on normal commercial terms or better.

Therefore, the Directors believe it is in the interests of the Company to continue to carry out the Miscellaneous Services Transactions.

The Board (including the independent non-executive Directors) considers that the Master Miscellaneous Services Agreement has been conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Master Miscellaneous Services Agreement and the Proposed Miscellaneous Services Annual Caps are fair and reasonable and the renewal of such master agreement is in the interest of the Company and its Shareholders as a whole.

MASTER LEASE AGREEMENT

On 17 June 2020, the Company entered into a lease framework agreement (the “**Master Lease Agreement**”) with HBIS, pursuant to which members of the HBIS Group shall lease to the Group the land use rights of certain parcels of land and certain buildings and common facilities thereon or in the proximity to the production sites of certain members of the HBIS Group for the operation of the Group’s industrial gas production facilities (the “**Lease Transactions**”) for a period commencing from the Listing Date and ending on 31 December 2022.

Principal terms of the Master Lease Agreement are as follows:

Term: Commencing from the Listing Date and ending on 31 December 2022. It will be automatically renewed for a successive period of three years thereafter subject to compliance with the Listing Rules.

Transactions: At any time during the term, the Group may from time to time enter into separate operational agreement(s) with members of the HBIS Group in relation to any Lease Transaction(s) under the Master Lease Agreement (the “**Operational Lease Agreements**”) Each of the Company and HBIS agreed to procure their respective members to comply with the terms of the Master Lease Agreement.

Pricing guidelines: Each of the Operational Lease Agreements will set out the annual fees payable by the Group to the relevant members of the HBIS Group in respect of the lease of relevant land use rights and use of the relevant buildings with reference to the respective prevailing market rates per square meter of the surrounding comparable premises in the vicinity of such lands and buildings, taking into account their respective sizes

Historical transaction amounts and the Proposed Lease Annual Caps

In view of the upcoming renewal of the Master Lease Agreement, the Company and HBIS have agreed on the Proposed Lease Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules. Details of the historical transaction amounts of the value of the right-of-use assets acquired by the Company from the HBIS Group and the Proposed Lease Services Annual Caps as agreed between the Company and HBIS are set out below:

	For financial years ended/ending		
	31 December		
	2020	2021	2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Original annual caps	Nil	7.9	10.5
Historical transaction amounts	Nil	Nil	Nil
			(up to 31
			October 2022)
	2023	2024	2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Lease Annual Caps	15.0	15.0	15.0

Basis of the Proposed Lease Annual Caps

In arriving at the annual caps, the Directors have considered the following major factors:

- (i) the expected aggregated rental payable for the leased properties under the Operational Lease Agreements that are expected to be renewed during the term of the renewed Master Lease Agreement; and
- (ii) provision of a buffer to cover a possible increase in demand for the leasing of HBIS Group's properties and possible fluctuation in market rental of leased properties in the PRC.

Reasons for and benefits of entering into the Lease Transactions

Given the nature of on-site gas supply, the Group is required to operate its industrial gas production facilities on or in close proximity to the production site of its on-site customers, which are members of the HBIS Group. It is an industry norm for a customer to provide or secure the parcels of land for its on-site industrial gas supplier for the construction and/or operation of gas production facilities. The Master Lease Agreement mainly serves the purpose of ensuring the provision of the relevant lands to the Group as the operation sites and the responsibility to compensate the Group for their failure to perform such obligations or any increasing cost incurred by the Group as a result of such failure.

Although there were no historical transaction amounts for the Lease Transactions for the financial years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022, the Directors believe that it is in the interest of the Company to renew the Master Lease Agreement to allow the Company for flexibility to lease the land from the HBIS Group when needed for its operations.

The Board (including the independent non-executive Directors) considers that the Master Lease Agreement has been conducted on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Master Lease Agreement and the Proposed Lease Annual Caps are fair and reasonable and the renewal of such master agreement is in the interest of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure that the continuing connected transactions of the Group are on normal commercial terms or better and on terms no less favourable to the Group than those available from Independent Third Parties, the Group has adopted the following measures to review and assess whether the continuing connected transactions will be conducted within the framework of the respective Master Agreements:

- (i.) the relevant personnel of the sales department and finance department will monitor the transactions monthly to ensure that the actual transaction amount does not exceed the annual caps or proposed annual caps of the Master Agreements and report to the management team of the Group;
- (ii.) the implementation of operational agreements shall be subject to the appropriate approval of the relevant personnel of the sales department, finance department and management of the Group to ensure that the contracts are in line with the principal terms of the Master Agreements;

- (iii.) the relevant personnel of the sales department of the Group will regularly monitor the fees charged for the continuing connected transactions to ensure that they are fair and reasonable and in accordance with the relevant pricing guidelines;
- (iv.) the auditors of the Company shall conduct annual reviews on the continuing connected transactions and confirm to the Board that nothing has come to its attention that causes it to believe that such transactions (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies provided in the transactions; (c) were not carried out, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) have exceeded the applicable respective annual caps; and
- (v.) the independent non-executive Directors shall review the continuing connected transactions on an annual basis and make annual confirmation in the annual report of the Company as to whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better terms and on terms that are fair and reasonable; (c) in accordance with the terms of the relevant agreements; and (d) are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in production and supply of industrial gas (pipeline and liquefied) and liquefied natural gas, and the provision of related gas transmission service. The Group is the exclusive pipeline industrial gas supplier for a few members of the HBIS Group.

The HBIS Group

HBIS is a joint stock limited company established under the laws of the PRC with limited liability. As at the date of this announcement, HBIS is one of the Controlling Shareholders of the Company, holding approximately 35.99% of the issued share capital of the Company through its subsidiaries, and it is in turn wholly-owned by the Hebei Province SASAC.

The HBIS Group, comprising HBIS and its subsidiaries, is a state-owned iron and steel group in Hebei, the PRC. Companies under the HBIS Group primarily produce and sell iron and steel products which are used in various industries such as automobiles, petroleum, railways, bridges, construction, power, transportation, machinery, shipbuilding, light industry, home appliances, pipelines, warehousing, electrical and mechanical, canned products, welding, environmental protection, steel structure, chemical industry, water conservancy, and other applications.

IMPLICATONS UNDER THE LISTING RULES

As at the date of this announcement, HBIS is one of the Controlling Shareholders of the Company, holding approximately 35.99% of the issued share capital of the Company through its subsidiaries. Therefore, HBIS and the members of the HBIS Group are connected persons of the Company and transactions between the Company and the members of the HBIS Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps, as one or more applicable percentage ratios exceed 5%, the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and their respective annual caps are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

In respect of the Proposed Miscellaneous Services Annual Caps and the Proposed Lease Annual Caps, as one or more applicable percentage ratios exceed 0.1% but all of which are less than 5%, the renewal of the Master Miscellaneous Services Agreement and the Master Lease Agreement and transactions contemplated thereunder, and their respective annual caps are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

As at the date of this announcement, Mr. Zhang is a director of each of HBIS Company and HBIS Group Supply Chain Management Company Limited* (河鋼集團供應鏈管理有限公司), a subsidiary of HBIS. As such, Mr. Zhang has abstained from voting on the board resolutions of the Company approving the renewal of the Master Agreements and the transactions contemplated thereunder, and their respective annual caps. Save for the above, none of the Directors has or is deemed to have a material interest in the above transactions and is required to abstain from voting on the relevant Board resolutions.

EGM

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps.

HBIS is one of the Controlling Shareholders of the Company, holding 431,904,000 Shares which representing approximately 35.99% of the issued share capital of the Company through its subsidiaries. HBIS and its associates will abstain from voting on the resolutions approving the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the above, no other Shareholder has a material interest in the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder. Therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Xiao Huan Wei and Ms. Li Chun Elsy, has been established to advise the Independent Shareholders on the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps. Nuada Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or around 5 December 2022.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms have the following meanings:

“Board”	the board of Directors
“Company”	China Gas Industry Investment Holdings Co. Ltd., a company incorporated in the Cayman Islands with members’ limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1940)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve, the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps
“Group”	the Company and its subsidiaries
“HBIS”	HBIS Group Co., Ltd.* (河鋼集團有限公司), a joint stock limited company established under the laws of the PRC with limited liability, a wholly-owned subsidiary of Hebei Province SASAC and one of the Controlling Shareholders
“HBIS Company”	HBIS Company Limited* (河鋼股份有限公司), a joint stock limited company established under the laws of the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 000709), a subsidiary of HBIS
“HBIS Group”	HBIS and its subsidiaries and their respective associates, but excluding the Group

“HBIS Tangsteel”	Tangshan Iron and Steel Group Co., Ltd. (唐山鋼鐵集團有限責任公司), a company established under the laws of the PRC with limited liability on 28 December 1995 and a subsidiary of HBIS
“Hebei Province SASAC”	State-owned Assets Supervision and Administration Commission of The People’s Government of Hebei Province
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the Independent Shareholders on the renewal of the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps
“Independent Shareholders”	the Shareholders other than HBIS Group
“Independent Financial Adviser”	Nuada Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement and the transactions contemplated thereunder, and the Proposed Gas Product Annual Caps and the Proposed Utilities Annual Caps
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates

“Listing Date”	29 December 2020, being the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement(s)”	the Master Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement, the Master Miscellaneous Services Agreement and the Master Lease Agreement
“Master Gas Products and Related Services Agreement”	the framework agreement entered into on 17 June 2020 between the Company and HBIS in respect of Gas Products and Related Services Transactions
“Master Lease Agreement”	the framework agreement entered into on 17 June 2020 between the Company and HBIS in respect of the Lease Transactions
“Master Miscellaneous Services Agreement”	the framework agreement entered into on 17 June 2020 between the Company and HBIS in respect of the Miscellaneous Services Transactions”
“Master Utilities and Related Services Agreement”	the framework agreement entered into on 17 June 2020 between the Company and HBIS in respect of the Utilities and Related Services Transactions
“Mr. Zhang”	Mr. Zhang Aimin, a non-executive Director of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Gas Products Annual Caps”	the proposed new annual caps in respect of the Gas Products and Related Services Transactions contemplated under the Master Gas Products and Related Services Agreement for the three financial years ending 31 December 2025
“Proposed Lease Annual Caps”	the proposed new annual caps in respect of the Lease Transactions contemplated under the Master Lease Agreement for the three financial years ending 31 December 2025

“Proposed Miscellaneous Services Annual Caps”	the proposed new annual caps in respect of the Miscellaneous Services Transactions contemplated under the Master Miscellaneous Services Agreement for the three financial years ending 31 December 2025
“Proposed Utilities Annual Caps”	the proposed new annual caps in respect of the Utilities and Related Services Transactions contemplated under the Master Utilities and Related Services Agreement for the three financial years ending 31 December 2025
“Prospectus”	the prospectus of the Company dated 16 December 2020
“Share(s)”	the ordinary share(s) of par value US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the US dollars, the lawful currency of the United States

By order of the Board
**CHINA GAS INDUSTRY INVESTMENT
HOLDINGS CO. LTD.**

Yao Li

Chairman and executive Director

Tangshan, 15 November 2022

As of the date of this announcement, the Board of the Company comprises: (1) Mr. Yao Li (Chairman) and Ms. Gao Guimin as the executive Directors; (2) Mr. Zhang Aimin, Mr. Lai Yui and Ms. Ng Shuk Ming as the non-executive Directors; and (3) Mr. Siu Chi Hung, Mr. Xiao Huan Wei and Ms. Li Chun Elsy as the independent non-executive Directors.

* *For identification purpose only*