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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Gas Industry Investment Holdings Co. Ltd., you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



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

**Nuada Limited**

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Capitalised terms used in this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 22 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Nuada Limited, containing advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 44 of this circular.

A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, on Thursday, 29 December 2022 at 3:00 p.m. (Hong Kong time) is set out on pages 51 to 52 of this circular. A proxy form for use at the EGM is enclosed with this circular. Such proxy form is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.cgiiholdings.com>). Whether or not you are able to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the completed proxy form to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. not later than 3:00 p.m., on Friday, 23 December 2022 (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy form shall be deemed to be revoked.

\* *For identification purpose only*

12 December 2022

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“Announcement”	the announcement issued by the Company dated 15 November 2022 in relation to, among other things, the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement
“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 renewals 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
“Gas Products and Related Services Transactions”	the supply of 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 the provision of 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 under the Master Gas Products and Related Services Agreement
“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

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## DEFINITIONS

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“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.SZ), 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
“HBIS Xuansteel”	Xuanhua Iron and Steel Group Co., Ltd. (宣化鋼鐵集團有限責任公司), a company established under the laws of the PRC with limited liability on 30 December 1996 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 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

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## DEFINITIONS

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“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
“Latest Practicable Date”	9 December 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to publication
“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 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 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 circular, 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 transactions contemplated under the Master Gas Products and Related Services Agreement for the three financial years ending 31 December 2025
“Proposed Utilities Annual Caps”	the proposed new annual caps in respect of the 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)

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## DEFINITIONS

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“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)
“Utilities and Related Services Transactions”	the procurement of utilities including, among other things, water, electricity, steam and coke oven gas, related equipment (including electrical cabinet and cables) and services (including sewage treatment services) from members of the HBIS Group under the Master Utilities and Related Services Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the US dollars, the lawful currency of the United States

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## SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE EGM

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**Voting by proxy in advance of the EGM:** The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of Shareholders, the Company would like to **encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person.** Physical attendance is not necessary for the purpose of exercising Shareholder rights. **Completion and return of the proxy form will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof should they subsequently so wish.**

**The deadline to submit completed proxy forms is Friday, 23 December 2022 at 3:00 p.m. (Hong Kong time).** Completed proxy forms must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

To safeguard the health and safety of Shareholders who might be attending the EGM in person, the following precautionary measures will be implemented at the EGM:

- (i) Compulsory temperature checks will be carried out on every attendee before entering the EGM venue.
- (ii) Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iii) Safe distancing measures for queue management and seating at the venue will be maintained.
- (iv) No refreshment or drinks will be provided to attendees at the EGM.

Attendees are in addition requested to observe and practise good personal hygiene at all times. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the other attendees at the EGM.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) or the Company ([www.cgiiholdings.com](http://www.cgiiholdings.com)) for future announcements and updates on the EGM arrangements.

**Appointment of proxy by non-registered Shareholders:** Non-registered Shareholders whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

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## **SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE EGM**

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If Shareholders have any queries relating to the EGM, please contact our Company's branch share registrar and transfer office in Hong Kong as follows:-

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

Telephone: (852) 2980 1333  
Facsimile: (852) 2810 8185  
Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)



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## LETTER FROM THE BOARD

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### CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

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

**(Stock code: 1940)**

*Executive Directors:*

Mr. Yao Li (*Chairman*)

Ms. Gao Guimin

*Non-executive Directors:*

Mr. Zhang Aimin

Mr. Lai Yui

Ms. Ng Shuk Ming

*Independent non-executive Directors:*

Mr. Siu Chi Hung

Mr. Xiao Huan Wei

Ms. Li Chun Elsy

*Registered Office:*

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal Place of Business and*

*Head Office in the PRC:*

No. 9 Binhe Road, Lubei District

Tangshan, Hebei Province

PRC

*Principal Place of Business in Hong Kong:*

Unit 2910, 29/F., Bank of America Tower

12 Harcourt Road, Hong Kong

12 December 2022

*To the Shareholders*

Dear Sir or Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

Reference is made to the Announcement issued by the Company dated 15 November 2022 in relation to, among other things, the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement.

Reference is also made to the section headed “Continuing Connected Transaction” in the Prospectus in relation to, among other things, the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the announcement issued by the Company dated 29 June 2022 in relation to, among other thing, the construction of a production unit (the “**Production Unit**”) and supplying pipeline oxygen to Tangshan Plate Material Company Limited\* (唐山中厚板材有限公司).

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, 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) the notice of the EGM and other information as required under the Listing Rules.

### BACKGROUND

On 17 June 2020, the Company entered into the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement to regulate certain continuing connected transactions with the HBIS Group. As mentioned in the Prospectus, (1) the Gas Products and Related Services Transactions under the Master Gas Products and Related Services Agreement and (2) the Utilities and Related Services Transactions under the Master Utilities and Related Services Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The initial term of each of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services 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 of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services 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 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.

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## LETTER FROM THE BOARD

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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 electricity 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 for the pipeline gas products in proportion to the fluctuation in electricity price. 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.

Payment term: In accordance with the terms of the Operational Gas Products and Related Services Agreements which will be payable within seven days from the HBIS Group’s receipt of the invoice issued by the Group.

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## LETTER FROM THE BOARD

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The following table sets out the major existing Operational Gas Products and Related Services Agreements as at the Latest Practicable Date:

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
		Supply of pipeline oxygen by the Production Unit	An initial term of 42 months upon commencement of the operation of the Production Unit which is expected to be in early 2023. The initial term may be further extended for (i) not more than six months; or (ii) not more than twelve months in accordance with the terms of the operating agreement.
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

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## LETTER FROM THE BOARD

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Counterparty	Relationship with the Group	Nature of the transaction	Term
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:

	<b>For financial years ended/ending 31 December</b>		
	<b>2020</b> <i>RMB'million</i>	<b>2021</b> <i>RMB'million</i>	<b>2022</b> <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
			<b>(up to 31 October 2022)</b>
	<b>2023</b> <i>RMB'million</i>	<b>2024</b> <i>RMB'million</i>	<b>2025</b> <i>RMB'million</i>
Proposed Gas Products Annual Caps	1,410.0	1,621.0	1,864.0

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## LETTER FROM THE BOARD

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### *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 (including the production of the Production Unit) 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.

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## LETTER FROM THE BOARD

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The Board (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) considers that the Master Gas Products and Related Services Agreement are conducted on normal commercial terms and were entered into 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 is 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**”) 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;

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## LETTER FROM THE BOARD

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- (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.

Payment term:

In accordance with the terms of the Operational Utilities and Related Services Agreements which will be payable within seven days from the Group's receipt of the invoice issued by the HBIS Group.



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## LETTER FROM THE BOARD

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The following table sets out the major existing Operational Utilities and Related Services Agreements as at the Latest Practicable Date:

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.

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## LETTER FROM THE BOARD

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### *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:

	<b>For financial years ended/ending</b>		
	<b>31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<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
			<b>(up to 31 October 2022)</b>
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<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 (including the Production Unit) 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.

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## LETTER FROM THE BOARD

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### *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 (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) considers that the Master Utilities and Related Services Agreement are conducted on normal commercial terms and were entered into 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.

### **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 monitor the Group's continuing connected transactions on an on-going basis:

- (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 of the Group's continuing connected transactions 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 in respect of the continuing connected transactions;

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## LETTER FROM THE BOARD

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- (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.

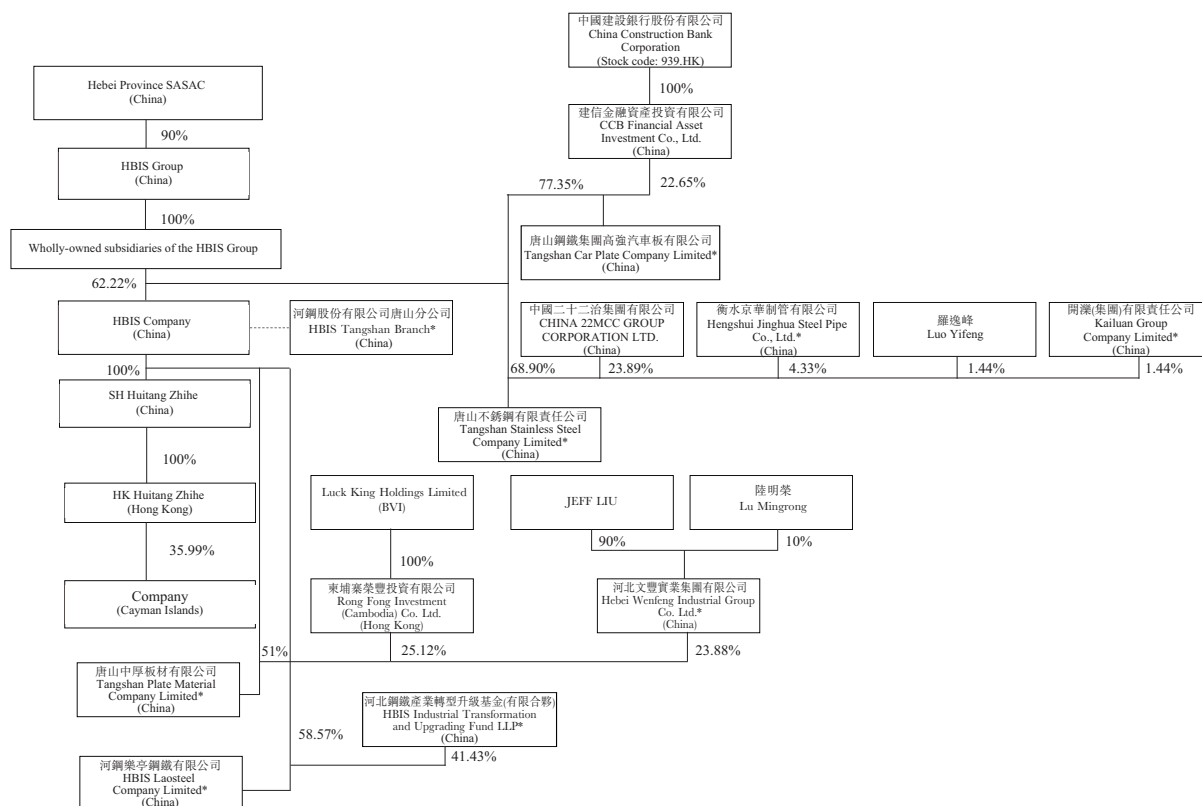
#### *The HBIS Group*

HBIS is a joint stock limited company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, 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.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE TRANSACTION PARTIES RELATING TO THE MAJOR OPERATIONAL AGREEMENTS



To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for HBIS and the members of the HBIS Group, the shareholders of the counterparties of the major operational agreements and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 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 renewals 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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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 Gas Products and Related Services Agreement, the Master Utilities and Related Services Agreement 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.

### **CLOSURE OF REGISTER OF MEMBERS AND THE EGM**

The register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of shares of the Company will be registered during this period. Shareholders whose names appear on the register of members of the Company on Thursday, 29 December 2022 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 21 December 2022.

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, 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 notice convening the EGM is set out on pages 51 to 52 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administration matter to be voted on by a show of hands.

Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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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.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the renewals 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) the letter from the Independent Financial Adviser, set out on pages 25 to 44 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of 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; and (iii) the additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are conducted on normal commercial terms and were entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps are fair and reasonable so far as the Shareholders are concerned; and (iii) the transactions contemplated under the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to 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.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that (i) the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are conducted on normal commercial terms and were entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps are fair and reasonable so far as the Shareholders are concerned; and (iii) the transactions contemplated under the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the renewals 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.

### GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,  
For and on behalf of the Board  
**CHINA GAS INDUSTRY  
INVESTMENT HOLDINGS CO. LTD.**  
**Yao Li**  
*Chairman and executive Director*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.**

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

**(Stock code: 1940)**

12 December 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 12 December 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, the terms 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 are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Independent Financial Adviser containing details of the advice from the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages 25 to 44 of the Circular; and (ii) the letter from the Board as set out on pages 7 to 22 of the Circular.

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter, we consider that the (i) the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are conducted on normal commercial terms and were entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the Proposed Gas Products Annual Caps and the Proposed Utilities Annual Caps are fair and reasonable so far as the Shareholders are concerned; and (iii) the transactions contemplated under the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Shareholders vote in favour of all the resolutions to be proposed at the EGM to approve the renewals 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.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Siu Chi Hung**

**Xiao Huan Wei**

**Li Chun Elsy**

*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 12 December 2022 prepared for the purpose of inclusion in this circular.*

# Nuada Limited

Unit 1606, 16/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心16樓1606室

12 December 2022

*To the Independent Board Committee  
and the Independent Shareholders of  
China Gas Industry Investment Holdings Co. Ltd.*

Dear Sir or Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 12 December 2022 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

Reference is made to the Announcement issued by the Company dated 15 November 2022 in relation to, among other things, the renewal of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement.

Reference is also made to the section headed “Continuing Connected Transaction” in the Prospectus in relation to, among other things, the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the announcement issued by the Company dated 29 June 2022 in relation to, among other thing, the construction of a production unit (the “**Production Unit**”) and supplying pipeline oxygen to Tangshan Plate Material Company Limited\* (唐山中厚板材有限公司).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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).

As at the Latest Practicable Date, 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 (the “**CCT 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 (the “**CCT Agreements**”) 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.

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 CCT Agreements and the transactions contemplated thereunder, together with the renewal thereof and the CCT Annual Caps. We, Nuada Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the terms of the CCT Agreements and the transactions contemplated thereunder, together with the renewal thereof and the CCT Annual Caps, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection this appointment, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company or its substantial Shareholder(s) or connected person(s) as defined under the Listing Rules, and are considered eligible to give independent advice on the terms of the CCT Agreement and the transactions contemplated thereunder, together with the renewal thereof and the CCT Annual Caps.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the date of the EGM and should there be any material changes after the despatch of this circular, the Independent Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, the documents and information published or provided by the Company including the CCT Agreements, the announcement in relation to the CCT Agreements, this circular, historical transactions under the CCT Agreements, the annual report of the Company for the year ended 31 December 2021, the interim report of the Company for the six months ended 30 June 2022, as well as certain published information from the public domain including statistics released by National Bureau of Statistics.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our advice in respect of the CCT Agreements and the CCT Annual Caps, we have taken into consideration the following principal factors and reasons:

#### **1. Information on the Group**

##### *(a) Principal business of the Group*

The Group is principally engaged in the business of supplying pipeline industrial gas and liquefied industrial gas in the northern China which includes an economic region surrounding Jing-Jin-Ji Region. The Group also operated a liquefied natural gas (“**LNG**”)-related business which includes supply of LNG and provision of gas transmission service at a relatively small scale.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Financial information of the Group*

The table below summarises the financial results of the Group for the two financial years ended 31 December 2020 (“**FY2020**”) and 31 December 2021 (“**FY2021**”) respectively as extracted from the annual report for FY2021 (the “**Annual Report**”), and for the two six months periods ended 30 June 2021 (“**FP2021**”) and 30 June 2022 (“**FP2022**”) as extracted from the interim report for FP2022 (the “**Interim Report**”).

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	636,435	590,363	1,209,271	1,186,824
Gross profit	143,446	111,676	248,139	269,015
Profit/(loss) for the year/period attributable to owners of the Company	41,631	(39,582)	(26,817)	(27,697)

*Financial performance for FY2021*

The revenue of the Group for FY2021 amounted to approximately RMB1,209.3 million, which is around the same level as compared with that of approximately RMB1,186.8 million for FY2020. Nevertheless, gross profit of the Group decreased from approximately RMB269.0 million for FY2020 to approximately RMB248.1 million for FY2021, representing a decrease of approximately 7.8%. According to the Annual Report and the Management, the decrease was mainly due to the higher cost during the commissioning and testing style of newly built plant equipment. The Group recorded a loss for the year attributable to the owners of the Company of approximately RMB26.8 million for FY2021 as compared with that of approximately RMB27.7 million for FY2020, which was relatively stable. As discussed with the Management, it was mainly due to the combined effect of (i) the decrease in gross profit by approximately RMB20.9 million as stated above; (ii) the increase in administrative expenses by approximately RMB41.6 million, which was mainly related to the independent investigation during FY2021 on the matters raised by the previous auditor of the Company (the “**Independent Investigation**”); (iii) the credit loss allowance of note investment of approximately RMB66.4 million for FY2021, details of which are set out in the note 3 “Basis of preparation” to the consolidated financial statements in the Annual Report in relation to the findings of the Independent Investigation; (iv) the absence of credit loss allowance for loan receivables for FY2021, which was approximately RMB118.0 million for FY2020, details of which are set out in the note 3 “Basis of preparation” to the consolidated financial statements in the Annual Report in relation to the findings of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Independent Investigation; (v) the decrease in net other losses by approximately RMB19.5 million, which was mainly due to an absence of impairment on plant, equipment and properties, which had been incurred in 2020 due to relocation of production facilities; and (vi) the increase in income tax expenses by approximately RMB9.5 million, which was mainly due to newly set up facilities have yet to qualify for the preferential corporate income tax treatment, pending its qualification as a high-tech enterprise.

We also note that the revenue generated from the transactions under the Master Gas Products and Related Services Agreement amounted to approximately RMB1,046.1 million and RMB889.8 million, representing approximately 88.1% and 73.6% of the total revenue of the Group, respectively for FY2020 and FY2021. The decrease in percentage of the revenue contributed by the transactions under the Master Gas Products and Related Services Agreement to total revenue of the Group was mainly due to one of the iron and steel production plants of HBIS Group has ceased operation since March 2021 due to environmental issues. Nevertheless, the revenue generated from the transactions under the Master Gas Products and Related Services Agreement still represented a substantial portion of revenue of the Group for FY2021.

### *Financial performance for FP2022*

The revenue of the Group for FP2022 amounted to approximately RMB636.4 million, which represents an increase of approximately 7.8% as compared with that of approximately RMB590.4 million for FP2021. According to the Interim Report and the Management, such increase was mainly due to the LNG production in Luanxian plant resumed normal in 2022. Meanwhile, gross profit of the Group increased from approximately RMB111.7 million for FP2021 to approximately RMB143.4 million for FP2022, representing an increase of approximately 28.5%. According to the Interim Report and the Management, the increase was mainly due to the increase in revenue as stated above, as well as enhanced production facilities efficiency and reduction in unit power consumption. The Group recorded a profit for the period attributable to owners of the Company of approximately RMB41.6 million for FP2022 as compared with a loss for the period attributable to owners of the Company of approximately RMB39.6 million for FP2021. As discussed with the Management, the change from loss to profit was mainly due to (i) an increase in gross profit by approximately RMB31.7 million as stated above; (ii) the absence of credit loss allowance for note investment for FP2022, which was approximately RMB66.4 million for FP2021, details of which are set out in the note 3 “Basis of preparation” to the consolidated financial statements in the Annual Report in relation to the findings of the Independent Investigation.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Financial position as at 31 December 2021 and 30 June 2022*

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current assets	905,069	810,317
Current liabilities	1,031,847	787,832
Net current (liabilities)/ assets	(126,778)	22,485
Total assets	2,527,315	2,406,049
Total liabilities	1,208,618	1,124,019
Net assets	1,318,697	1,282,030

As stated in the Interim Report, the Company recorded net current liabilities of approximately RMB126.8 million as at 30 June 2022 as compared with net current assets of approximately RMB22.5 million as at 31 December 2021, while the net assets remained relatively stable at approximately RMB1,318.7 million as at 30 June 2022 as compared with approximately RMB1,282.0 million as at 31 December 2021. According to the Management, the change from net current assets to net current liabilities was mainly due to a substantial portion of borrowings were re-classified from non-current liabilities as at 31 December 2021 to current liabilities as at 30 June 2022 as it is a three-year loan facility granted in April 2020 and were due within one year from 30 June 2022.

*(c) Industry outlook*

We note that a substantial portion of revenue of the Group derived from supply of pipeline industrial gas. In particular, all of the revenue generated from supply of pipeline industrial gas was derived from sales to members of the HBIS Group. We understand that the HBIS Group is an iron and steel producer in the PRC and the HBIS Group consumes industrial gas products procured from the Group for production of steel and iron. Given that the transactions contemplated under CCT Agreements are related to, among other, the supply of gas products to HBIS Group, we have studied the statistics regarding the amount of accumulated output of crude steel for the year ended 31 December 2017 to 2021 and the nine months ended 30 September 2022 (being the latest available statistics) published by the National Bureau of Statistics (國家統計局), details of which are extracted below:

	For the year ended 31 December					For the nine months ended 30 September	Cumulative annual growth rate
	2017	2018	2019	2020	2021	2022	
Accumulated output of crude steel (million tons)	831.7	928.3	996.3	1,064.8	1,032.8	780.8	4.6%

*Source: National Bureau of Statistics (國家統計局)*

*Website: <https://data.stats.gov.cn>*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that over the last six years, the output of crude steel has grown continuous despite a temporary downturn for 2021, from approximately 831.7 million tons for the year ended 31 December 2017 to approximately 780.8 million tons for the nine months ended 30 September 2022 (or, on pro rata basis, approximately 1,041.1 million tons annually), representing a cumulative annual growth rate of approximately 4.6%. Given the continuous growth in the recent years despite a slight downturn in 2021, we consider that the steel market would remain positive.

### 2. Information on the counterparties to the Master Agreements

As disclosed in the Board Letter, HBIS is a joint stock limited company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, 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.

As disclosed in the Board Letter, 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.

### 3. The Master Gas Products and Related Services Agreement

#### (a) *Principal terms of the Master Gas Products and Related Services Agreement*

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.

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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 electricity 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 for the pipeline gas products in proportion to 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.

Payment term:

In accordance with the terms of the Operational Gas Products and Related Services Agreements which will be payable within seven days from the HBIS Group's receipt of the invoice issued by the Group.

For details of the existing Operational Gas Products and Related Services Agreements, including an Operational Gas Products and Related Services Agreement related to the Production Unit (the terms of which are determined in accordance with terms of the Master Gas Products and Related Services Agreement), please refer to the section headed "Principal terms of the Master Gas Products and Related Services Agreement" in the Board Letter.

*(b) Reasons for entering into the Master Gas Products and Related Services Agreement*

As disclosed in the Board Letter, 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.

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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.

Having considered (i) the Group being long-term supplier of industrial gases to the HBIS Group since 2007, and more particular since the Listing Date under the Master Gas Products and Related Services Agreement; (ii) the revenue generated under the Master Gas Products and Related Services Agreement representing a substantial portion (i.e. approximately 88.1% and 73.6%) of the revenue of the Group for FY2020 and FY2021 as detailed above; (iii) the steady source of income generated from the sales of industrial gases to the HBIS Group by the Company which is essential to the business operation of the Group; and (iv) the terms of the Master Gas Products and Related Services Agreement (including the pricing basis) and the Proposed Gas Products Annual Caps as analysed in the following paragraphs, we are of the view and concur with the view of the Directors that the Master Gas Products and Related Services Agreement is conducted on normal commercial terms, the Master Gas Products and Related Services Agreement was entered into 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 so far as the Shareholders are concerned and such transactions are in the interest of the Company and the Shareholders as a whole.

*(c) Review on the pricing basis of the Master Gas Products and Related Services Agreement*

*(i) Pricing basis*

We have discussed with the Management regarding the pricing basis of the products provided by the Group to members of HBIS Group. Regarding pipeline industrial gas products (which include oxygen, nitrogen and hydrogen), we understand that the Group supplies those products only to members of HBIS Group, and as such there has been no transactions between the Group and Independent Third Parties for direct comparison. To determine whether the terms of supplying pipeline industrial gas products to members of HBIS Group are on normal commercial terms of better, i.e. no less favourable to the Group than terms available to or from Independent Third Parties, we have attempted to compare the (i) market prices of similar pipeline industrial gas products through research on the internet; and (ii) similar transactions for supply of industrial gas products conducted by other companies listed in Hong Kong. Nevertheless, we are not aware of any publicly available information regarding market prices, or any companies listed in Hong Kong which are engaged in similar business or had conducted similar transactions. We have also discussed with the Management but they were not aware of any comparable public information either.

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Given that the unit price for each type of the pipeline industrial gas products under the Master Gas Products and Related Services Agreement is determined on cost plus basis (where the percentage on top of the costs essentially represents gross profit margin), we resort to analyse the segment profit margin of companies listed in Hong Kong which are mainly engaged in the business of supply of gas (including fuel gas) through pipeline in the PRC, with the selection criteria that the segment revenue from such business contributes not less than 50% of the total revenue of the listed companies (the “**Comparable Company(ies)**”). While we understand that the products sold are not identical and that segment profit margin (which may takes into account costs other than costs of sales) is not identical to segment gross profit margin, having considered (i) there are no comparable listed companies which supply products identical to those of the Company; (ii) the business models of the Comparable Companies are nevertheless similar to that of the Company which supplies industrial gas through pipeline; and (iii) while segment gross profit margin of Comparable Companies are not readily available for direct comparison, a segment profit margin can still serve as a close reference for gross profit margin, we are of the view that the Comparable Companies can serve as a reference for analysing the fairness and reasonableness of the cost plus basis adopted by the Group for pipeline industrial gas products. Based on the above, we have obtained an exhaustive list of five Comparable Companies as detailed below:

No.	Company name	Stock code	Principal Business	Segment revenue (billion) <i>Note 1</i>	Segment profit (billion) <i>Note 1</i>	Segment profit margin <i>Note 2</i>
1.	China Gas Holdings Limited	384	Gas business through six segments, including sales of piped gas	HK\$50.5	HK\$4.2	8.3%
2.	Beijing Enterprises Holdings Limited	392	Distribution and sale of piped natural gas	HK\$58.1	HK\$5.6	9.7%
3.	Towngas Smart Energy Company Limited	1083	Sales and distribution of piped gas	HK\$14.0	HK\$1.1	7.8%
4.	Shanghai Dazhong Public Utilities (Group) Co., Ltd.	1635	Operation of urban transport, city gas, environmental and municipal business, including pipe gas supply	HK\$4,870.5	HK\$7.8	0.2%
5.	ENN Energy Holdings Limited	2688	Gas supply business, including sale of piped gas	HK\$49.2	HK\$7.3	14.9%
					<b>Minimum</b>	0.2%
					<b>Maximum</b>	14.9%
					<b>Mean</b>	8.2%
					<b>Median</b>	8.3%

*Source: The official website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))*

*Notes:*

- (1) The segment revenue and segment profit of the Comparable Companies are based on the figures as disclosed their latest annual reports, where the segment is related to supply of gas through pipeline in the PRC.
- (2) The segment profit margin is calculated as (segment profit ÷ segment revenue) × 100%.

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We note that the relevant segment profit margins of the Comparable Companies ranged from approximately 0.2% to 14.9%, with mean and median of approximately 8.2% and 8.3% respectively. As advised by the Management, we noted that the expected gross profit margins (which represent the percentages on top of the costs for the cost plus basis adopted by the Group) of pipeline industrial gas products are set at not less than a range of 10% to 15%, which are above the mean and median segment profit margin of the Comparable Companies. Accordingly, we are of the view and concur with the view of the Management that the pricing basis for pipeline industrial gas products which is on a cost plus basis are fair and reasonable and no less favourable to the Group than terms available to Independent Third Parties.

Regarding liquefied industrial gases, we understand that the Group has sold the same products to Independent Third Parties. We understand that the expected unit prices and fees to be charged to members of the HBIS Group shall be equal to or above the unit prices and fees charged to Independent Third Parties by the Group. Accordingly, we are of the view and concur with the view of the Management that the pricing basis for liquefied industrial gases and related storage tanks rental services are fair and reasonable and no less favourable to the Group than terms available to Independent Third Parties.

In addition, we understand that the supply of industrial gas products is electricity intensive. As such, the existing Operational Gas Products and Related Services Agreements provide for a price adjustment mechanism for the pipeline gas products in proportion to 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. As discussed with the Management, during the terms of the Master Gas Products and Related Services Agreement (i.e. from Listing Date to up to the Latest Practicable Date), there have been no material change in the electricity price and therefore no supplemental agreement has been made to adjust the prices of products supplied by the Group according to the aforesaid mechanism.

*(ii) Historical transaction*

As discussed with the Management, the Group has continuously carried out transactions with members of the HBIS Group under the Master Gas Products and Related Services Agreement since June 2020. To ascertain whether the Group has adhered to the aforesaid pricing guideline under the historical transactions between the Group and members of the HBIS Group, we have requested the Company to provide (i) the monthly summary of the Gas Products and Related Services Transactions since 2020 and up to October 2022 (given that monthly settlement is made on the basis of the actual supply volume), which details the name, unit price, transaction volume and transaction amount of industrial gas products for each month, as well as reference gross profit margin and prices for price determination; and (ii) on a random sampling basis, (a) invoices from the Group to HBIS Group related to the above transactions; and (b) for liquefied industrial gases, invoices from the Group to Independent Third Parties for prices of similar products. Based on the above information provided and after discussion with the management of the Company, we note that the unit prices of products followed the aforesaid pricing basis, and

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in particular the actual aggregate gross profit margin ranged from approximately 13.8% to 39.9%, which were not less than the expected gross profit margins of 10% to 15% according to the aforesaid pricing basis and the mean and median segment profit margin of the Comparable Companies of approximately 8.2% and 8.3% respectively.

*(iii) Our view*

Based on our review of the pricing basis and the historical transactions carried out under the Master Gas Products and Related Services Agreement, we are of the view and concur with the view of the Management that there are adequate measures in place to ensure that the prices are no less favourable to the Group than those available to Independent Third Parties, and therefore such pricing arrangement is on normal commercial terms and the transactions conducted under the Master Gas Products and Related Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*(d) 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:

	<b>For financial years ended/ending</b>		
	<b>31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<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)
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Gas Products Annual Caps	1,409.3	1,620.7	1,863.8

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*(e) Review on the basis of the Proposed Gas Products Annual Caps*

As disclosed the Board Letter, in arriving at the Proposed Gas Products Annual Caps, the Directors 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 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 (including the production of the Production Unit) 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 2024 and 2025, respectively; and
- (vii) an additional 10% buffer on the forecast amount.

Having taken into consideration that (i) as detailed in the section headed “(b) Financial information of the Group” above in this letter, the decrease in historical transaction amounts was mainly due to one of the iron and steel production plants of HBIS Group has ceased operation since March 2021 due to environmental issues; (ii) as discussed with the Management, we understand that the Management has reviewed the production plans of HBIS Group for the year ending 31 December 2023 which reflect a higher anticipated production in their products and hence higher demand for pipeline industrial gas. Based on the aforesaid production plans, the Management formulated the estimated quantities of pipeline industrial gas needed and provided such estimations to HBIS Group who have confirmed the estimated quantities were reasonable; (iii) we noted that, on a pro rata basis, the historical transaction amounts for the year ending 31 December 2022 would be approximately RMB1,035.8 million, which would represent an increase of approximately 16.4% as compared with the historical transaction amounts for FY2021 of approximately RMB889.8 million and is similar to the estimated 15% increase per annum in demand for the years ending 31 December 2024 and 2025; (iv) as detailed in the section headed “(c) Review on the pricing basis of the Master Gas Products and Related Services Agreement” above in this letter, we have reviewed the historical transactions carried out under the Master Gas Products and Related Services Agreement and are of the view that the pricing



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basis is fair and reasonable; and (iv) given that the utilisation rate of the original annual cap for FY2020 was close to 100%, we considered that a small buffer of 10% on the forecast amount for prudent sake is justifiable to provide flexibility in case of underestimation, we are of the view and concur with the view of the Directors that the Proposed Gas Products Annual Caps were fair and reasonable.

#### 4. The Master Utilities and Related Services Agreement

(a) *Principal terms of the Master Utilities and Related Services Agreement*

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 (河北省發展和改革委員會) and water price prescribed by the Development and Reform Commission of Tangshan (唐山市發展和改革委員會);
- (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;



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- (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.

Payment term: In accordance with the terms of the Operational Utilities and Related Services Agreements which will be payable within seven days from the Group's receipt of the invoice issued by the HBIS Group.

For details of the existing Operational Utilities and Related Services Agreements, please refer to the section headed "Principal terms of the Master Utilities and Related Services Agreement" in the Board Letter.

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*(b) Reasons for entering into the Master Utilities and Related Services Agreement*

As disclosed in the Board Letter and as discussed with the Management, in order to save transportation cost and additional construction costs, 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.

As stated above, 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.

Having considered (i) the Group having procured utilities and related services through the HBIS Group during the course of supplying pipeline industrial gas to the HBIS Group since 2007, and more particular since the Listing Date under the Master Utilities and Related Services Agreement; (ii) with infrastructure of the utilities set up by the local utilities authorities or by HBIS Company on the Group's industrial gas production facilities (which were injected by or acquired from HBIS Company), the Group can share the utility distribution network already established by the HBIS Group and thereby save the construction costs required to separately build its own utility distribution network; and (iii) the terms of the Master Utilities and Related Services Agreement (including the pricing basis) and the Proposed Utilities Annual Caps as analysed in the following paragraphs, we are of the view and concur with the view of the Directors that the Master Utilities and Related Services Agreement is conducted on normal commercial terms and the Master Utilities Products and Related Services Agreement was entered into 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 Annual Caps are fair and reasonable so far as the Shareholders are concerned and such transactions are in the interest of the Company and the Shareholders as a whole.

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(c) *Review on the pricing basis of the Master Utilities and Related Services Agreement*

(i) *Pricing basis*

We have discussed with the Management regarding the pricing basis of the Utilities and Related Services procured by the Group from members of HBIS Group. Based on the information provided by the Management, we noted that the utilities procured by the Group mainly consist of electricity and water. As discussed with the Management, we understand that the unit prices for electricity and water charged by members of HBIS Group to the Group represented the government-prescribed prices, at which members of HBIS Group procured such utilities from government-owned enterprises. Accordingly, we are of the view and concur with the view of the Management that the pricing basis for Utilities and Related Services procured by the Group are fair and reasonable and no less favourable to the Group than terms available from Independent Third Parties.

(ii) *Historical transactions*

As discussed with the Management, the Group has continuously carried out transactions with members of the HBIS Group under the Master Utilities and Related Services Agreement since June 2020. To ascertain whether the Group has adhered to the aforesaid pricing guideline under the previous transactions between the Group and members of the HBIS Group, we have requested the Company to provide (i) the monthly summary of the Utilities and Related Services Transactions since 2020 and up to October 2022 (given that monthly settlement is made on the basis of the actual volume of utilities procured), which details the name, unit price, transaction volume and transaction amount of utilities for each month; and (ii) on a random sampling basis and at least two samples per month during the period from 2020 and up to October 2022, (a) invoices from government-owned enterprises to members of HBIS Group for utilities to ascertain the unit price of utilities; and (b) invoices from members of HBIS Group to the Group for the same utilities. Based on the above information provided and after discussion with the management of the Company, we note that the unit prices of utilities followed the aforesaid pricing basis, i.e. the unit prices for electricity and water charged by members of HBIS Group to the Group represented the prices at which members of HBIS Group procured such utilities from government-owned enterprises.

(iii) *Our view*

Based on our review of the pricing basis and the historical transactions carried out under the Master Utilities and Related Services Agreement, we are of the view and concur with the view of the Management that there are adequate measures in place to ensure that the prices are no less favourable to the Group than those available from Independent Third Parties, and therefore such pricing arrangement is on normal commercial terms and the transactions conducted under the Master Utilities and Related Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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(d) *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 RMB'million	2021 RMB'million	2022 RMB'million
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 RMB'million	2024 RMB'million	2025 RMB'million
Proposed Utilities Annual Caps	1,168.0	1,343.0	1,545.0

(e) *Review on the basis of the Proposed Utilities Annual Caps*

As disclosed the Board Letter, in arriving at the Proposed Utilities Annual Caps, the Directors considered the following major factors:

- (i) the historical transaction amounts for the financial years ended 2020 and 2021 and the ten months ended 31 October 2022;
- (ii) the Group's projected demand for the utilities (including electricity, water and steam, coke oven gas and etc.), which are mainly procured from the HBIS Group based on the Group's gas production schedule (including the Production Unit) 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 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 2024 and 2025, respectively; and
- (v) an additional 10% buffer on the forecast amount.

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Having taken into consideration that (i) the decrease in historical transaction amounts was in line with that in historical amounts under the Master Gas Products and Related Services Agreement, the reasons of which are detailed in the section headed “(b) Financial information of the Group” above in this letter; (ii) as discussed with the Management, the Company projected its demand for the utilities (including electricity, water and steam, coke oven gas and etc.) based on the Group’s estimated production schedule of industrial gas, which in turn was based on the production plans of HBIS Group as detailed above; (iii) as detailed in the section headed “(c) Review on the pricing basis of the Master Utilities and Related Services Agreement” above, we have reviewed the historical transactions carried out under the Master Utilities and Related Services Agreement and are of the view that the pricing basis is fair and reasonable; and (iv) a small buffer of 10% on the forecast amount for prudent sake is justifiable to provide flexibility in case of underestimation, we are of the view and concur with the view of the Directors that the Proposed Utilities Annual Caps were fair and reasonable.

### 5. Internal control and risk management measures

We have enquired the Management and understand that the Group has adopted the following measures to monitor the Group’s continuing connected transactions on an on-going basis:

- (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 the Proposed Gas Products Annual Caps and Proposed Utilities Annual Caps 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 to ensure that the contracts are in line with the principal terms of the master agreements in respect of the continuing connected transactions;
- (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)

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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.

Regarding item (iii), we have reviewed the historical transactions under the CCT Agreements as detailed in the sections headed “(3) (c) Review on the pricing basis of the Master Gas Products and Related Services Agreement” and “(4) (c) Review on the pricing basis of the Master Utilities and Related Services Agreement” above in this letter, and note that the relevant pricing guidelines have been consistently followed. Regarding items (iv) and (v) above, we have also noted from the previous annual reports from the Company as well as the assurance reports issued by the auditors of the Company as provided by the Management that the independent non-executive Directors and the auditors of the Company have respectively reviewed and reported on the previous continuing connected transactions of the Group under the CCT Agreements, and did not notice any anomaly.

In light of the above, we consider that there are adequate and enforceable internal control measures in place regarding the continuing connected transactions contemplated under the CCT Agreements.

### RECOMMENDATION

Having considered the aforementioned principal factors and reasons, we are of the view that (i) the CCT Agreements are conducted on normal commercial terms and were entered into in the ordinary and usual course of business of the Group; (ii) the terms of the CCT Agreements and the CCT Annual Caps are fair and reasonable so far as the Shareholders are concerned; and (iii) the transactions contemplated under the CCT Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the renewal of the terms of the CCT Agreements and the transactions contemplated thereunder and the CCT Annual Caps.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kevin Wong**  
*Vice President*

**Nigel Ng**  
*Manager*

*Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.*

*Mr. Nigel Ng is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 7 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### a. Directors' and Chief Executive's Interests and Short Positions in Shares, underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code to be notified to the Company and the Stock Exchange.

### b. Substantial Shareholders' Interests in Shares and Underlying Shares

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (each not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares interested	Approximate percentage of the Company's issued share capital
Huitang Zhihe (Hong Kong) Co., Limited (惠唐邨和(香港)有限公司) ("HK Huitang Zhihe") <sup>(2)</sup>	Beneficial owner	431,904,000(L)	35.99%
Shanghai Huitang Zhihe Investment Co., Ltd. (上海惠唐邨和投資有限公司) ("SH Huitang Zhihe") <sup>(2)</sup>	Interest in a controlled corporation	431,904,000(L)	35.99%
HBIS Company <sup>(2)</sup>	Interest in a controlled corporation	431,904,000(L)	35.99%

Name of Shareholder	Nature of Interest	Number of Shares interested	Approximate percentage of the Company's issued share capital
HBIS Hansteel <sup>(2)</sup>	Interest in a controlled corporation	431,904,000(L)	35.99%
HBIS <sup>(2)</sup>	Interest in a controlled corporation	431,904,000(L)	35.99%
China Gas Investors Ltd. (“CGI”) <sup>(3)</sup>	Beneficial owner	468,096,000(L)	39.01%
Huang He Investment Limited (“Huang He”) <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
China Infrastructure Partners, L.P. (“China Infrastructure”) <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
CITP GP I Ltd. (“CITP GP”) <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
BOCI Investment Limited <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
BOC International Holdings Limited <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Bank of China Limited <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Springleaf Investments Pte. Ltd. <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Anderson Investments Pte. Ltd. <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Thomson Capital Pte. Ltd. <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Tembusu Capital Pte. Ltd. <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%
Temasek Holdings (Private) Limited <sup>(3)</sup>	Interest in a controlled corporation	468,096,000(L)	39.01%

## Notes:

- (1) The letter “L” denotes the shareholder’s long position in the Shares.
- (2) HK Huitang Zhihe is wholly-owned by SH Huitang Zhihe which in turn is wholly-owned by HBIS Company, which in turn is directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to



approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel are owned by HBIS as to 100%, 100% and 100%, respectively. As such, HBIS through its subsidiaries together indirectly holds approximately 62.22% equity interest in HBIS Company. By virtue of the SFO, each of SH Huitang Zhihe, HBIS Company, HBIS Hansteel and HBIS is deemed to be interested in the same number of Shares held by HK Huitang Zhihe.

- (3) CGI is owned as to 80% and 20% by Huang He and OxyChina Limited (“**OxyChina**”) respectively. Huang He is wholly-owned by China Infrastructure, whose general partner is CITP GP, which is held as to:
- (i) 60% by BOCI Investment Limited, which is wholly-owned by BOC International Holdings Limited, which is in turn wholly-owned by Bank of China Limited whose shares are listed and traded on the Main Board (stock code:3988) and the Shanghai Stock Exchange (stock code: 601988); and
  - (ii) 40% by Springleaf Investments Pte. Ltd., which is wholly-owned by Anderson Investments Pte. Ltd., which is in turn wholly-owned by Thomson Capital Pte. Ltd.. Thomson Capital Pte. Ltd. is wholly-owned by Tembusu Capital Pte. Ltd., which is in turn wholly-owned by Temasek Holdings (Private) Limited.

As at the Latest Practicable Date, (a) each of the 4 shareholders of OxyChina charged all of the shares registered in their respective own name in OxyChina; and (b) OxyChina charged all of its shares in CGI registered in its name in favour of Eastern Sky Limited as security agent nominated by Huang He pursuant to the charges dated 25 July 2011.

By virtue of the SFO, each of Huang He, China Infrastructure, CITP GP, BOCI Investment Limited, BOC International Holdings Limited, Bank of China Limited, Springleaf Investments Pte., Ltd., Anderson Investments Pte. Ltd., Thomson Capital Pte., Ltd., Tembusu Capital Pte. Ltd. and Temasek Holdings (Private) Limited is deemed to be interested in the same number of Shares held by CGI.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### **3. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS’ INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors (other than independent non-executive Directors) or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competed or might compete with the businesses of the Group.

**5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors:

- (i) had any interest, direct or indirect, in any assets which have been, since 31 December 2021 (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; or
- (ii) was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited financial statements of the Company were made up.

**7. LITIGATION**

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has been engaged by the Company and who has been named in this circular or who has given its opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, recommendation, opinion and/or references to its name in the form and context in which they are included;
- (b) did not have any direct or indirect interest in any assets which have been, since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired, disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

- (c) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the Hong Kong underwriting agreement dated 15 December 2020 entered into by the Company, Mr. David T Chen, China Everbright Capital Limited as the sole sponsor, China Everbright Securities (HK) Limited as the sole representative, Soochow Securities International Brokage Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited, BOCI Asia Limited, BOCOM International Securities Limited, China Industrial Securities International Capital Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Huarong International Securities Limited, Sheng Yuan Securities Limited, Sunfund Securities Limited, Yue Xiu Securities Company Limited, Differ Financial and Securities Limited, DL Securities (HK) Limited, Futu Securities International (Hong Kong) Limited and ZMF Asset Management Limited relating to a public offering in Hong Kong of initially 30,000,000 Shares of US\$0.0001 nominal value each in the capital of the Company, being part of a global offering of initially 300,000,000 Shares; and
- (b) the international underwriting agreement dated 21 December 2020 entered into by the Company, Mr. David T Chen, China Everbright Capital Limited as the sole sponsor, China Everbright Securities (HK) Limited as the sole representative, Soochow Securities International Brokage Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited, BOCI Asia Limited, BOCOM International Securities Limited, China Industrial Securities International Capital Limited, CMBC Securities Company Limited, Haitong International Securities Company Limited, Huarong International Securities Limited, Sheng Yuan Securities Limited, Sunfund Securities Limited, Yue Xiu Securities Company Limited, Differ Financial and Securities Limited, DL Securities (HK) Limited, Futu Securities International (Hong Kong) Limited and ZMF Asset Management Limited as Hong Kong underwriters relating to an international offering of initially 270,000,000 Shares of US\$0.0001 nominal value each in the capital of the Company, being part of a global offering of initially 300,000,000 Shares.

**10. GENERAL**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The principal place of business and head office of the Company in the PRC is at No. 9 Binhe Road, Lubei District, Tangshan, Hebei Province, the People's Republic of China.
- (d) The principal place of business of the Company in Hong Kong is at Unit 2910, 29/F., Bank of America Tower 12 Harcourt Road, Hong Kong.
- (e) The company secretary of the Company is Mr. Hon Ming Sang, who is a CFA charterholder, a member of The Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute.
- (f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cgiiholdings.com](http://www.cgiiholdings.com)) from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 44;
- (c) the Master Gas Products and Related Services Agreement;
- (d) the Master Utilities and Related Services Agreement; and
- (e) this circular.

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## NOTICE OF EGM

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### **CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.**

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

**(Stock code: 1940)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Gas Industry Investment Holdings Co. Ltd. (the “**Company**”) will be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, on Thursday, 29 December 2022, at 3:00 p.m. (Hong Kong time) to consider, and if thought fit, to pass the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**1. “THAT:**

- (a) the renewals of the Master Gas Products and Related Services Agreement and Master Utilities and Related Services Agreement (as defined in the circular of the Company dated 12 December 2022 (the “**Circular**”), a copy of which marked “A” is produced to the EGM and signed by the chairman of the EGM for the purpose of identification) dated 17 June 2020 entered into between the Company and HBIS (as defined in the Circular) for a period of three years from 1 January 2023 to 31 December 2025 be and are hereby approved, confirmed and/or ratified subject to compliance with all applicable provisions of the Listing Rules (as defined in the Circular), and all transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and/or ratified;
- (b) the Proposed Gas Products Annual Caps and Proposed Utilities Annual Caps (as defined in the Circular), be and are hereby approved, confirmed and/or ratified; and
- (c) any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to sign such documents or deeds, and take all such steps as he may in his discretion consider necessary, expedient or desirable to implement and/or to give effect to the renewals of the Master Gas Products and Related Services Agreement and the Master Utilities and Related Services Agreement and the transactions contemplated thereunder as they may in his discretion consider to be desirable and in the interests of the Company.”

By Order of the Board of  
**China Gas Industry Investment  
Holdings Co. Ltd.**

**Yao Li**  
*Chairman*

Hong Kong, 12 December 2022

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## NOTICE OF EGM

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*Notes:*

1. The approval of each of the (i) renewal of the Master Gas Products and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Gas Products Annual Caps, and (ii) renewal of Master Utilities and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Utilities Annual Caps is interdependent on and cannot proceed without the approvals of each other. As such, the Company will seek member's approval for each of the (i) renewal of the Master Gas Products and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Gas Products Annual Caps, and (ii) renewal of Master Utilities and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Utilities Annual Caps under the same single resolution at the EGM. As a result, members which exercise their rights to vote will be either voting in favour of the one single resolution which includes all of the (i) renewal of the Master Gas Products and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Gas Products Annual Caps, and (ii) renewal of Master Utilities and Related Services Agreement and the transactions contemplated thereunder, together with the Proposed Utilities Annual Caps, or voting against it. Members are reminded to exercise their voting rights cautiously.
2. Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
3. In order to be valid, a form of proxy, together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be delivered to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. The register of members of the Company will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (Hong Kong time) (both dates inclusive), during which period no transfers of Shares will be effected. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 21 December 2022 (Hong Kong time).
5. Where there are joint holders of any Share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The results of the poll will be published on the websites of the Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.
7. If tropical cyclone warning signal no. 8 or above, "extreme conditions" caused by super typhoons or a black rainstorm warning signal is in force at 11:00 a.m. on Thursday, 29 December 2022 (Hong Kong time), the EGM will be adjourned in accordance with the Bye-laws and further announcement for details of alternative meeting arrangements will be made. The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the EGM under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

*As of the date of this notice, 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.*