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**CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.**  
**(the “Company”)**

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

**(Stock Code: 1940)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

- Revenue for the Reporting Period amounted to approximately RMB1,187 million, representing a decrease of approximately 9% from approximately RMB1,305 million for the year ended 31 December 2019.
- Gross profit for the Reporting Period was approximately RMB269 million, representing a decrease of approximately 5% from approximately RMB282 million for the year ended 31 December 2019.
- Net loss for the Reporting Period amounted to approximately RMB28 million, representing a decrease of approximately 121% from net profit of approximately RMB134 million for the year ended 31 December 2019.
- Basic and diluted loss per Share attributable to equity shareholders of the Company for the Reporting Period were approximately RMB0.03 and RMB0.03, respectively, both representing a decrease of approximately 120% as compared with the year ended 31 December 2019.

- As at 31 December 2020, the gearing ratio of the Group was 46% as compared to 29% as at 31 December 2019.
- The Board does not recommend the payment of a final dividend for the Reporting Period.

In this announcement, “we”, “us”, “our” and “China Gas” refer to the Company and where the context otherwise requires, the Group (as defined below). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the prospectus of the Company dated 16 December 2020 (the “**Prospectus**”).

## CONSOLIDATED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) as set out below:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	Notes	2020 RMB	2019 RMB
Revenue	5	1,186,823,618	1,305,152,146
Cost of revenue	8	<u>(917,808,883)</u>	<u>(1,022,922,225)</u>
<b>Gross profit</b>		<b>269,014,735</b>	282,229,921
Selling and marketing expenses	9	(1,357,221)	(1,633,735)
Administrative expenses	9	(53,964,873)	(40,188,840)
Credit loss allowance for loan receivables	9	(118,000,000)	—
Research and development expenses	9	(50,073,460)	(50,834,019)
Other income	6	1,791,411	2,246,795
Other losses, net	7	<u>(20,997,283)</u>	<u>(421,300)</u>
<b>Operating profit</b>		<b>26,413,309</b>	191,398,822
Finance income	8	1,200,226	399,142
Finance costs	8	<u>(23,925,880)</u>	<u>(19,772,320)</u>
Finance costs, net		<u>(22,725,654)</u>	<u>(19,373,178)</u>

	Notes	2020 RMB	2019 RMB
<b>Profit before income tax</b>		<b>3,687,655</b>	172,025,644
Income tax expense	10	<u>(31,385,006)</u>	<u>(38,188,131)</u>
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<b><u>(27,697,351)</u></b>	<b><u>133,837,513</u></b>
<b>Other comprehensive income, net of tax</b> <i>Item that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		<u>2,542,266</u>	<u>(950,815)</u>
<b>Total comprehensive income for the year</b>		<b><u>(25,155,085)</u></b>	<b><u>132,886,698</u></b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b><u>(25,155,085)</u></b>	<b><u>132,886,698</u></b>
			(Restated)
<b>(Loss)/earnings per share – Basic and Diluted</b>	11	<b><u>(0.03)</u></b>	<b><u>0.15</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>1,495,555,815</b>	1,392,908,593
Right-of-use assets		<b>49,471,040</b>	29,071,145
Intangible assets		<b>881,921</b>	1,494,494
Deferred tax assets		<b>2,345,208</b>	—
Other assets		<b>45,998,945</b>	14,126,961
		<b><u>1,594,252,929</u></b>	<u>1,437,601,193</u>
<b>Current assets</b>			
Inventories		<b>9,882,628</b>	11,115,886
Trade receivables	14	<b>277,926,097</b>	277,809,582
Loan receivables	15	—	—
Prepayments, deposits and other receivables		<b>83,999,393</b>	134,904,731
Financial assets at fair value through other comprehensive income (“FVOCI”)		<b>46,823,190</b>	51,316,794
Restricted cash		—	196
Cash and cash equivalents		<b>511,834,079</b>	139,790,488
		<b><u>930,465,387</u></b>	<u>614,937,677</u>

	Notes	2020 RMB	2019 RMB
<b>Current liabilities</b>			
Trade and other payables	16	576,584,216	320,144,883
Contract liabilities		6,313,165	7,093,539
Borrowings		323,690,000	258,000,000
Leases liabilities		9,540,023	7,408,441
Income tax payable		4,403,278	4,793,048
		<u>920,530,682</u>	<u>597,439,911</u>
<b>Net current assets</b>		<u>9,934,705</u>	<u>17,497,766</u>
<b>Total assets less current liabilities</b>		<u>1,604,187,634</u>	<u>1,455,098,959</u>
<b>Non-current liabilities</b>			
Borrowings		270,806,401	110,000,000
Lease liabilities		3,763,709	7,596,445
Deferred tax liabilities		11,124,144	33,469,108
		<u>285,694,254</u>	<u>151,065,553</u>
<b>NET ASSETS</b>		<u>1,318,493,380</u>	<u>1,304,033,406</u>
<b>Capital and reserves</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		836,016	76,298
Other reserves		1,320,361,813	993,537,465
(Accumulated losses)/retained earnings		(2,704,449)	310,419,643
<b>TOTAL EQUITY</b>		<u>1,318,493,380</u>	<u>1,304,033,406</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 August 2006 as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is the People's Republic of China (the "PRC").

The Company is an investment holding company. The Company and its subsidiaries (together "the Group") are engaged in the production and sales of industrial gases in the PRC.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred as the "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI") which is carried at fair value.

**(c) Functional and presentation currency**

The functional currency of the Company is United States dollars (“USD”) and the subsidiaries incorporated in the PRC considered Renminbi (“RMB”) as their functional currency. The consolidated financial statements are presented in RMB as in the opinion of the Directors, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

**(d) Investigation**

On 24 March 2021, the Board was informed by the previous auditor that they required additional information and documentation on (i) three overdue receivables of the Company as at 31 December 2020 (as disclosed in sub-notes II. (i) to (iii) below as Transaction 1, Transaction 2 and Transaction 3 and also in note 15); and (ii) the investment in a loan note by the Company in January 2021 (as disclosed below as Transaction 4) during the course of the consolidated financial statements for the current year. According to the resignation letter of the previous auditor, the management provided preliminary explanation that the Transaction 1, Transaction 2 and Transaction 3 were entered into in order to attract the counter-parties who intended to subscribe for the Company’s shares (the “Shares”) upon the Company’s initial public offering and Transaction 4 was entered into purely for the purpose of managing the Company’s free cash to earn a higher return and was not associated with Transactions 1, 2 and 3.

**I. Scope of the Investigation and the Expanded Investigation**

Upon receiving the previous auditor’s notification, on 24 March 2021, an independent investigation committee then comprising certain Directors, including all the independent non-executive Directors (the “Investigation Committee”) was established to carry out an independent investigation (the “Investigation”) on the matters raised by the previous auditor. On 12 April 2021, an accounting firm that is not the Company’s auditor (the “Forensic Accountant”) was appointed as the independent forensic accountant to assist the Investigation Committee in conducting the Investigation.

On 8 May 2021, Mr David Chen (“Mr Chen”) (an executive Director and the chairman of the Board) upon the request of the Investigation Committee and in order to facilitate the Investigation, agreed to have all his day-to-day duties, powers and authorities suspended pending outcome of the Investigation.

The primary scope of the Investigation is to conduct an independent fact-finding in respect of Transaction 1, 2, 3 and 4 (the “Transactions”), so as to help assess whether or not there were reasonable commercial substance and business rationale behind the Transactions. The major investigation procedures conducted by the Forensic Accountant included, but not limited to, the followings:

- (i) obtaining and reviewing relevant documents and correspondence relating to the Transactions (including but not limited to the Loan Agreement 1, Loan Agreement 2 and Loan Agreement 3 and Investment Agreement (all of which were defined in the sub-heading “Summary of the Key Findings of the Investigation”), correspondences between the Group and the counterparties to the Transactions or others with respect to the Transactions, internal records of the Company, bank documentation, payment proof of listing expenses incurred for the Company’s initial public offering (the “IPO”) by the Company and the list of investors during the IPO and the corresponding subscription records;
- (ii) reviewing the internal control policies and procedures of the Group in relation to the entering of the Transactions and conducting interviews with relevant personnel of the Group who are responsible for carrying out such procedures;
- (iii) conducting interview with relevant personnel of the Group (including Directors, management, employees from the finance department and other relevant personnel) to understand, among others, the circumstances leading to the entering of the Transactions (including the approval procedures), as well as its business rationale and commercial substance;
- (iv) conducting interviews with relevant representatives of two of the underwriters to the IPO to understand, among others, the circumstances leading to the entering of the Transactions, as well as to ascertain whether they took any role in the entering of the Transactions and whether they have any relationships with the counterparties to the Transactions; and
- (v) performing preservation on electronic data under the custody of relevant personnel of the Group, developing search terms pertaining to the Transactions and reviewing electronic data with responsive hits of the search terms.

On 22 July 2021, having considered the then state of findings from the Investigation and with agreement from the previous auditor; the Investigation Committee decided to expand the scope of the Investigation to cover certain business activities of the Group conducted by Mr Chen and Mr Bai Xueping (“Mr Bai”) (the then chief financial controller of the Company) for the period between 1 January 2021 to 30 April 2021 (the “Expanded Investigation”, together with the Investigation, the “Independent Investigation”) pursuant to the recommendation of the previous auditor. The primary scope of the Expanded Investigation is focused on a review period from 1 January 2020 to 30 April 2021 to understand the involvement of Mr Chen and Mr Bai in the management of the Group, including as to day-to-day business operations, investment or fund-raising activities, chop and contract management process and conducting sample testing to investigate whether Mr Chen and Mr Bai had engaged in conduct which overrode the Group’s existing corporate governance mechanisms.

The Independent Investigation was completed in March 2022 with the following key findings:

## II. Summary of the Key Findings of the Investigation

The Independent Investigation had certain limitations in respect of the nature and extent of the procedures conducted. During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 December 2020, the Board took into account the following findings of the Independent Investigation, considered the relevant information and supporting evidence available and had used their best effort to estimate the relevant financial impact of the matters identified in the Independent Investigation.

- (i) Transaction 1 – RMB50,000,000 advanced by the Company to Company A on 7 December 2020 pursuant to a loan agreement dated 30 November 2020 (the “Loan Agreement 1”) signed by the Company as lender and Company A as borrower, purporting to set out the terms for a loan of RMB50,000,000 from the Company to Company A at an interest rate of 2 % per annum, repayable on 30 December 2020;
- (ii) Transaction 2 – RMB53,522,000 advanced by the Company to Company B on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the “Loan Agreement 2”) signed by the Company as lender and Company B as borrower, purporting to set out the terms for a loan of RMB53,522,000 from the Company to Company B at an interest rate of 2 % per annum, repayable on 30 December 2020;

- (iii) Transaction 3 – RMB14,478,000 advanced by the Company to Company C (Company C and together with Company A and Company B, the “Borrowers”) on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the “Loan Agreement 3” and together with Loan Agreement 1 and Loan Agreement 2, the “Loan Agreements”) signed by the Company as lender and Company C as borrower, purporting to set out the terms for a loan of RMB14,478,000 from the Company to Company C at an interest rate of 2 % per annum, repayable on 30 December 2020.
- (iv) Transaction 4 – HK\$80,000,000 (approximately RMB66,400,000) paid by the Company on 28 January 2021 pursuant to a subscription agreement dated 18 January 2021 (the “Investment Agreement”) in respect of HK\$80,000,000 secured loan notes (“Investment”) issued by Company D with a fixed return of 4.5% per annum, due on 17 December 2021.

Findings of the Investigation:

- (i) Between 30 November 2020 and 1 December 2020, Mr Chen on behalf of the Company entered into the Loan Agreements with the Borrowers for the advancement of short term loans in an aggregate sum of RMB118,000,000 (the “Loans”).
- (ii) On 7 December 2020, the Company transferred RMB50,000,000 from the RMB sub-account (the “Bank A RMB Sub-Account”) of a bank account held by the Company at a bank (the “Bank A Account”) to Company A. On 10 December 2020, the Company transferred RMB53,522,000 and RMB14,478,000 from the Bank A RMB Sub-Account to Company B and Company C, respectively.
- (iii) The telegraphic transfers of the Loans from the Company’s Bank A RMB Sub-Account to each of the Borrowers were approved by Mr Chen and Mr Bai (at the behest of Mr Chen).
- (iv) The Loan Agreements were not tabled before the Board for discussion or approval. The Board had not approved the Loan Agreements. Mr Chen admitted that the Loan Agreements were entered into without the Board’s prior approval and any background check on the Borrowers and that no guarantee was provided as security for the Loans.

- (v) Mr Chen contended that the sum of RMB118,000,000 paid out from the Company's Bank A RMB Sub-Account were dividend payable to China Gas Investors Ltd. (a controlling shareholder of the Company) ("CGI") and were therefore funds belonging to CGI. Mr Chen had not sought consent from CGI in relation to the change of use of the said funds and the change of use of the said funds had not been approved in compliance with the articles of association of the Company (the "Articles"). The Directors interviewed by Forensic Accountant considered that the funds in the Bank A RMB-Sub Account were dividends payable to the shareholders of the Company and belonged to the Company and that any change of use of the funds in the Bank A RMB-Sub Account must comply with the provisions of the Articles and the relevant procedure of the Company.
- (vi) The Bank A Account is held in the name of and is owned by the Company. The Bank A RMB Sub-Account was set up to hold dividend payable to the shareholders of the Company before completion of the IPO. In the financial statements of the Company published during the IPO and audited by the previous auditors, the asset of the Company comprised such Bank A Account.
- (vii) According to Mr Chen, the business rationale for making the Loans was to obtain confidence and good impression from the investors and fulfil their financial needs, so as to attract investors to make investment in the Company in the IPO and that the making of the Loans had no direct connection with the IPO. According to Mr Chen, it was after the IPO that one of the underwriters of the IPO notified him that a subscriber who subscribed for the Shares for the sum of US\$18,000,000 at the IPO is the sole director and sole shareholders of Company A, the sole director and sole shareholders of Company D, and a former director and shareholder of Company C. Based on the IPO share allocation list, such subscriber subscribed for 13,138,000 Shares.
- (viii) Notwithstanding the fact that the Borrowers were three different companies, the Borrowers were potentially associated with one another given that the form and content of the Loan Agreements were highly similar and that certain direct and indirect connections among the Borrowers were identified through desktop internet searches conducted by the Forensic Accountant.
- (ix) On 18 January 2021, Mr Chen on behalf of the Company entered into the Investment Agreement with Company D. On 28 January 2021, the Company paid HK\$80,000,000 to Company D via a bank account maintained with another bank ("Bank B") (the "Bank B Account") which held the IPO proceeds. The Investment Agreement was not tabled before the Board for discussion and the Investment was not approved by the Board contrary to the Company's policy on financial management and control. The telegraphic transfer of the Investment from the Bank B Account was approved by Mr Chen and Mr Bai (at the behest of Mr Chen).

- (x) In a board preparatory meeting held on 13 January 2021, Mr Chen made brief reference to potential investments with IPO proceeds. As the information provided by Mr Chen was limited, the Directors who participated in the meeting required that the use of the IPO proceeds must comply with law and regulations and save for a portion of the IPO proceeds allocated for use for the Company's Hong Kong office, the remaining IPO proceeds should be remitted back to Mainland China and be applied for the purposes set out in the IPO prospectus of the Company. According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. No resolution was passed in such meeting in relation to the investment products proposed by Mr Chen.
- (xi) According to Mr Chen, the purpose of the Investment was to earn a higher return. Mr Chen admitted that the Investment Agreement was entered into (i) contrary to legal advice he had obtained from the Company's then legal advisers, and (ii) before any due diligence was conducted and before any security documents were obtained.
- (xii) Mr Bai expressed the view that he personally did not agree to the Transactions and suspected that the counterparties of the Transactions were potentially associated with one another, and that there was a possibility that the Investment Agreement was entered into for the purpose of expediting the repayment of the Loans. According to Mr Bai, the telegraphic transfer was signed by him at the behest of Mr Chen.
- (xiii) On 31 March 2021, Mr Chen told a number of Directors that if the Company agreed to a "put option" agreement (the "Proposed Option Agreement"), Company A would procure immediate repayment of the Loans to the Company. Mr. Chen alleged that the Proposed Option Agreement was proposed by Company A but to be entered into with another subscriber of the IPO in respect of not more than 100,000,000 Shares at an option price of HK\$1.5 per Share, with an exercise period of 5 to 31 days after the signing of the Proposed Option Agreement. The Proposed Option Agreement was in draft form and did not bear a signatory block for Company A or any known representative of Company A. Mr. Chen did not proffer a reasonable explanation as to why Company A was willing to procure immediate repayment of all three loans if the Proposed Option Agreement was entered into. Mr. Chen also did not provide relevant background information about the proposed counterparty. The Proposed Option Agreement was voted down by the Board.

- (xiv) The Forensic Accountant conducted an analysis of the top 38 investors in the international offering tranche of the IPO and found that as at 15 November 2021, ten of such investors (representing shareholdings of 96,178,000 shares in aggregate) were potentially connected of which: (i) three investors (representing shareholdings of 36,110,000 Shares in aggregate) appeared to have direct connection with the counter-parties of the Transactions and (ii) seven investors (representing shareholdings of 60,068,000 Shares in aggregate) appeared to have indirect connections with the counter-parties of the Transactions.

Findings of the Expanded Investigation:

- (i) On 20 February 2021, the Company and Xijie'ai (Shanghai) Investment Management Co., Ltd ("Xijie'ai") entered into an agreement ("Xijie'ai Agreement") whereby the Company agreed to reimburse Xijie'ai a sum of HK\$2,000,000 for the expenses paid by Xijie'ai for the Company in relation to the preparation of the IPO. Mr. Chen was involved in the signing of the Xijie'ai Agreement on behalf of the Company as well as for Xijie'ai.
- (ii) On 7 April 2021, a sum of HK\$2,000,000 was paid to Xijie'ai via a bank account of the Company maintained with Bank B.
- (iii) Xijie'ai is a wholly-owned company established in the PRC on 9 May 2007 by OxyChina Limited (a company incorporated under the law of the British Virgin Islands and is owned as to 70% by Mr Chen, 10% by Mr Bai and by two independent third parties of the Company each holding 10%). The legal representative of Xijie'ai is Mr. Chen.
- (iv) According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. There are no documents (such as board meeting minutes or board resolutions) to support that the Xijie'ai Agreement was approved by the Board.

- (v) According to the Articles, a director who to his knowledge is, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or in any other case at the first meeting of the board after he knows that he is or has become so interested. None of the supporting documents or representations provided by the Company to the Forensic Accountant shows that Mr Chen or Mr Bai has declared his interest to the Board.
- (vi) Save and except for the Xijie'ai Agreement entered into with Xijie'ai, the Expanded Investigation has not uncovered direct evidence of management override of Mr Chen and Mr Bai.

The Board has reviewed the content and the findings of the Investigation and the Expanded Investigation. The Board is of the view that the Investigation and the Expanded Investigation have comprehensively investigated into the matters raised by the previous auditor. The Board is of the view that, based on its review of the findings of the Independent Investigation and on balance, the nature of Transactions is likely to be as stated in the Loan Agreements that they are loans from the Company to the Borrowers, and the nature of Transaction 4 is likely to be as stated in the Investment Agreement that it is an investment in loan notes made by the Company for the purpose of managing free cash to earn higher return. None of the Transactions was approved by the Board. Notwithstanding the Forensic Accountant's conclusion that save and except for the Xijie'ai Agreement, the Expanded Investigation has not uncovered direct evidence of management override by Mr Chen and Mr Bai, given that none of the Transactions were approved by the Board, and that, in particular, the telegraphic transfers made pursuant to the Loan Agreements and the Investment Agreement were approved by Mr Chen and Mr Bai themselves, the Board considered that there was management override by Mr Chen and Mr Bai.

Although the Company had continuously demanded for settlement with Borrowers, the Company has not received any repayment up to date. After taking into account that the Loans became long overdue and recoverability of the balances, the Group has considered it is unlikely to recover the outstanding loan balances of RMB118,000,000 and hence an impairment provision on loan receivables of RMB118,000,000 has been made and recorded it separately as a line item on in the consolidated statement of comprehensive income during the year ended 31 December 2020.

On 17 December 2021 when the Investment became due, the Company did not receive any repayment, and the Company has not received any repayment since then. Although the Company had continuously demanded for settlement with the counter party, the Company has not received any repayment up to date. There is no financial impact to the Company for the year ended 31 December 2020 because the investment were made in January 2021. The Group considered it would have a financial impact for the year ended 31 December 2021 which an impairment provision of RMB66,400,000 will be made.

### **3. ADOPTION OF IFRSs**

#### **(a) Adoption of new or amended IFRSs**

The adoption of IFRSs and IASs which are effective for the financial year beginning on 1 January 2020 and 1 June 2020 has been consistently applied in the consolidated financial statements for the year ended 31 December 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The impact of the adoption of Amendments to IFRS 16 Covid-19-Related Rent Concessions has been summarised below. The other new or amended IFRSs and IASs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

## Amendments to IFRS 16, Covid-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021;  
and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria.

In accordance with the transitional provisions, the Group has applied the amendments retrospectively, and has not restated prior periods figures. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

**(b) New or amended IFRSs, that have been issued but are not yet effect**

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to IAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 9, Illustrative Examples according IFRS 16 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

### IFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

### Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

### Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Annual Improvements to IFRSs 2018-2020

The annual improvements amends a number of standards, including:

- IFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

#### 4. SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the production and supply of industrial gas in the PRC. The Group is also engaged in production and supply of liquefied natural gas and related gas transmission service. The chief operating decision-makers assesses performance of the business based on a measure of operating results and consider the business from the product perspective. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified two operating segments as follows:

- Supply of industrial gas
  - Liquefied natural gas (“LNG”) and gas transmission service
- (i) **The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:**

	Year ended 31 December 2020			
	Supply of industrial gas (pipeline and liquefied) RMB	LNG and gas transmission service RMB	Elimination RMB	Group RMB
Segment revenue	1,116,274,950	81,223,653	(10,674,985)	1,186,823,618
Gross profit	268,345,600	669,135	—	269,014,735

	Year ended 31 December 2019			
	Supply of industrial gas (pipeline and liquefied) RMB	LNG and gas transmission service RMB	Elimination RMB	Group RMB
Segment revenue	1,213,558,830	104,268,851	(12,675,535)	1,305,152,146
Gross profit	277,059,036	5,170,885	—	282,229,921

**(ii) Geographic information**

The Company is domiciled in the Cayman Islands while the Group operates its business in mainland China and all its revenue is derived in mainland China. Accordingly, no geographical information on the total revenues is presented.

**(iii) Information about major customers**

The customers which contributed more than 10% of the total revenue of the Group are as follows:

	2020	2019
Customer A	88%	84%

## 5. REVENUE

All the Group's revenue is derived from contracts with customers.

The Group is principally engaged in the production and supply of industrial gases, liquefied natural gas and related gas transmission service in the PRC. An analysis of the Group's revenue by category for the year ended 31 December 2020 is disclosed as follows:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
<i>Recognised at a point in time</i>		
Supply of pipeline industrial gas	<b>877,510,419</b>	931,635,716
Supply of liquefied industrial gas	<b>214,981,944</b>	255,195,947
Supply of LNG and gas transmission service	<b>81,223,653</b>	103,598,975
Others	<b>13,107,602</b>	14,721,508
	<b><u>1,186,823,618</u></b>	<b><u>1,305,152,146</u></b>

### Contract liabilities

The Group presents advances from customers as contract liabilities on the consolidated statement of financial position.

The Group has recognised the following contract liabilities:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
<i>Contract liabilities arising from:</i>		
– Supply of liquefied industrial gas	<b>4,607,004</b>	4,542,522
– Supply of LNG	<b>717,250</b>	1,290,269
– Others	<b>988,911</b>	1,260,748
	<b><u>6,313,165</u></b>	<b><u>7,093,539</u></b>

## Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in each of the year relates to carried-forward contract liabilities at the beginning of the year.

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Supply of liquefied industrial gas	<b>1,857,602</b>	3,368,200
Supply of LNG	<b>542,817</b>	2,382,864
Others	<b>754,503</b>	489,288
	<b><u>3,154,922</u></b>	<u>6,240,352</u>

## 6. OTHER INCOME

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Investment income from bank wealth management products	—	345,312
Government grants (note)	<b>1,787,307</b>	1,900,783
Others	<b>4,104</b>	700
	<b><u>1,791,411</u></b>	<u>2,246,795</u>

Note: Government grants are all income related and there exists no unfulfilled conditions or other contingencies attaching to these government grants.

## 7. OTHER LOSSES, NET

	2020	2019
	RMB	RMB
Net foreign exchange losses	2,962,394	28,854
Losses on disposal of property, plant and equipment	1,160,764	392,446
Impairment of property, plant and equipment	15,634,719	—
Others	1,239,406	—
	<u>20,997,283</u>	<u>421,300</u>

## 8. FINANCE COSTS, NET

	2020	2019
	RMB	RMB
<i>Finance income:</i>		
Interest income from bank deposits	<u>1,200,226</u>	<u>399,142</u>
<i>Finance costs:</i>		
Interest expenses on bank borrowings	(23,747,059)	(18,627,367)
Interest expense on discount of notes receivable	—	(179,957)
Interest expense on lease liabilities	(467,701)	(964,996)
Add: amount capitalised	<u>288,880</u>	<u>—</u>
Finance costs expensed	<u>(23,925,880)</u>	<u>(19,772,320)</u>
<b>Finance costs, net</b>	<u><b>(22,725,654)</b></u>	<u><b>(19,373,178)</b></u>

Finance costs have been capitalized on qualifying assets at average interest rates of 4.99% per annum for the year ended 31 December 2020 (2019: Nil).

## 9. EXPENSES BY NATURE

	2020	2019
	RMB	RMB
Auditor's remuneration	5,280,000	—
Consumption of utilities	744,539,486	822,480,271
Consumption of raw materials and low value consumables	30,440,112	54,756,552
Changes in inventories of finished goods	1,920,520	(3,842,341)
Depreciation of property, plant and equipment	97,931,779	94,850,557
Amortisation of right-of-use assets	4,348,446	4,084,906
Employee benefits expenses	40,041,260	46,735,749
Freight expenses	21,113,329	22,066,944
Equipment maintenance expenses	23,385,136	24,484,219
Operating service charges	13,365,867	13,365,867
Tax surcharges	7,342,272	8,049,486
Outsourcing labour costs	1,800,547	2,128,964
Amortisation of intangible assets	612,573	343,224
Professional service fee	159,227	973,603
Listing expenses	24,434,456	19,886,446
Credit loss allowance for loan receivables	118,000,000	—
Others	6,489,427	5,214,372
	<u>1,141,204,437</u>	<u>1,115,578,819</u>

## 10. INCOME TAX EXPENSE

The income tax expense of the Group is analysed as follows:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Current tax		
– PRC Corporate Income Tax	<b>22,612,978</b>	23,403,348
Deferred tax		
– Charged to profit or loss for the year	<b>8,772,028</b>	14,784,783
Income tax expense	<b><u>31,385,006</u></b>	<u>38,188,131</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Profit before income tax expense	<b><u>3,687,655</u></b>	<u>172,025,644</u>
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	<b>921,914</b>	43,006,411
Effect of different tax rates in other jurisdictions (note(a))	<b>37,906,888</b>	4,986,829
Preferential income tax rates applicable to subsidiaries and branches (note(b))	<b>(15,127,371)</b>	(19,353,134)
Tax effect of expenses not deductible for tax purposes	<b>1,121,294</b>	14,009
Withholding tax on profits made in China (note(c))	<b>11,117,236</b>	14,784,783
Utilisation of previously unrecognised deductible temporary differences	<b>(254,041)</b>	—
Tax losses for which no deferred income tax assets were recognised	<b>1,197,065</b>	659,982
Super deduction for research and development (note(d))	<b>(5,633,264)</b>	(5,718,827)
Income not subject to tax (note(e))	<b>(264,953)</b>	(281,808)
Tax filing difference (note(f))	<b>395,894</b>	163,073
Others	<b>4,344</b>	(73,187)
Income tax expense	<b><u>31,385,006</u></b>	<u>38,188,131</u>

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is not subject to income tax. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) PRC enterprise income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practises in respect thereof. The general corporate income tax rate in the PRC is 25%. Tangshan Tangsteel Gases Co., Ltd, a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2016, and was entitled to a preferential income tax rate of 15% in the years of 2016, 2017 and 2018. In 2019, Tangshan Tangsteel Gases Co., Ltd renewed this qualification and will continue to enjoy this preferential tax rate of 15% in the years of 2019, 2020 and 2021. Luanxian Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2018, and was entitled to a preferential income tax rate of 15% in the years of 2018, 2019 and 2020.

(c) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. The Company has recognised deferred tax liabilities for undistributed profits of its subsidiaries in the PRC.

(d) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period ("Super Deduction"). According to regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2018 to 2020, later extended to 2023, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period ("Super Deduction").

(e) Income not subject to tax

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China, the Group's subsidiaries in Mainland China are entitled to deduct 10% of their revenue generated from supply of self-produced industrial hydrogen gas when determining their assessable profits during the period.

(f) Tax filing differences

The Group's tax filing differences mainly represented tax adjustments of deductible expenditures under PRC tax jurisdiction, which mainly included business entertainment expenses and disabled employees benefits, and the differences were not material during the period.

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following data.

	<b>2020</b>	2019
	<b>RMB</b>	RMB
<b>(Loss)/earnings</b>		
(Loss)/profit for the year attributable to owners of the Company	<u>(27,697,351)</u>	<u>133,837,513</u>
	<b>2020</b>	2019
	<b>Number</b>	Number
		(Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u>902,465,753</u>	<u>896,173,240</u>

Weighted average number of ordinary shares in issue and basic (loss)/earnings were stated after taking into account the effect of the share capitalisation. Comparative figures have also been restated on the assumption that the share capitalisation had been effective in prior year.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2020 and 2019.

## 12. DIVIDENDS

	2020	2019
	RMB	RMB
Declared dividends	<u>267,743,000</u>	<u>—</u>

  

	2020	2019
	RMB	RMB
Dividends payable at beginning of the year	14,900,000	14,900,000
Declaration of dividends during the year	267,743,000	—
Dividends paid during the year	<u>(33,200,000)</u>	<u>—</u>
	<u>249,443,000</u>	<u>14,900,000</u>

At a meeting of the Directors held on 31 March 2022, the Directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: RMB0.957 per Share in an aggregate amount of RMB101,046,000).

The dividend for the year ended 31 December 2017, 2018 and 2019 was approved at the Board meeting held on 20 October 2020. The dividend paid during the year ended 31 December 2020 amounted to RMB33,200,000.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, the Group had additions of property, plant and equipment amounting to RMB214,929,000 (2019: RMB203,309,000). The Group disposed of property, plant and equipment with a carrying amount of approximately of RMB1,229,000 (2019: RMB411,000) for the proceeds of approximately of RMB68,000 (2019: RMB18,000) during the year ended 31 December 2020. As at 31 December 2020, the Group still in the process of applying for the building ownership certificate of buildings and the aggregated carrying amounts of these buildings amounted to approximately of RMB58,040,000 (2019: RMB74,978,000).

#### 14. TRADE RECEIVABLES

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Trade receivables	<b>277,926,097</b>	277,809,582
Less: allowance for impairment	<u>—</u>	<u>—</u>
	<b><u>277,926,097</u></b>	<b><u>277,809,582</u></b>

As at 31 December 2020 and 2019, fair values of the trade receivables of the Group approximated their carrying amounts.

(a) Ageing analysis of trade receivables based on the invoice date is as follows:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Up to 6 months	<b>252,713,343</b>	254,735,103
6 months to 1 year	<b>24,765,344</b>	16,700,926
1 to 2 years	<b>285,952</b>	6,373,553
Over 2 years	<b>161,458</b>	<u>—</u>
	<b><u>277,926,097</u></b>	<b><u>277,809,582</u></b>

The Group's trade receivables are generally collectible within 180 days from the invoice date. No interest is charged on the trade receivables. The overdue balances were due from certain frequent customers and management considers that these receivables are recoverable with no significant credit losses.

(b) As at 31 December 2020 and 2019, the carrying amount of the Group's gross trade receivables are denominated in RMB.

(c) The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at 31 December 2020 and 2019, the expected credit loss was minimal as the receivables were mainly due from HBIS Group Co., Ltd. (“HBIS”) and its subsidiaries and their respective associates (the “HBIS Group”).

HBIS is a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission (“SASAC”) of Hebei Provincial People’s Government and one of the Company’s controlling shareholders, with whom the Company has strong business relationship. Customers other than the HBIS Group are also subject to the Group’s stringent admission criteria and risk management measures. These receivables had limited history of default, certain amount of receivables were subsequently settled, and there was no significant unfavourable current conditions and forecast future economic conditions identified as at 31 December 2020 and 2019. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at 31 December 2020, and determined that the expected credit loss retained to be minimal as at 31 December 2020.

## 15. LOAN RECEIVABLES

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Unsecured and non-guaranteed, fixed-rate loan receivables	<b>118,000,000</b>	—
Less: allowance for impairment	<b>(118,000,000)</b>	—
	<u>—</u>	<u>—</u>

During the year 2020, the Group entered into three loan agreements with the aggregate principal amount of RMB118,000,000. Details of these transactions are listed as below:

- (a) On 30 November 2020, the Group entered into the Loan Agreement 1 with Company A. Pursuant to the agreement, the Group provided a loan with the principal amount of RMB50,000,000 to Company A and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020. As of 31 December 2020, the total amount of RMB50,000,000 was outstanding and was recorded as loan receivables on the Group’s consolidated statement of financial position.

- (b) On 1 December 2020, The Group entered into the Loan Agreement 2 with Company B. Pursuant to the agreement, the Group provided a loan with the principal amount of RMB53,522,000 to Company B, and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020. As of 31 December 2020, the total amount of RMB53,522,000 was outstanding and was recorded as loan receivables on the Group's consolidated statement of financial position.
- (c) On 1 December 2020, the Group entered into the Loan Agreement 3 with Company C. Pursuant to the agreement, the Group provided a loan with the principal amount of RMB14,478,000 to Company C, and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020. As of 31 December 2020, the total amount of RMB14,478,000 was outstanding and was recorded as loan receivables on the Group's consolidated statement of financial position.

The Group recorded an impairment loss of RMB118,000,000 separately as a line item on the consolidated statement of comprehensive income which represent the aggregate amount of principal outstanding as at 31 December 2020.

## 16. TRADE AND OTHER PAYABLES

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Trade payables	<b>179,203,227</b>	245,822,293
Payables for construction and equipment	<b>108,792,000</b>	27,387,966
Dividend payable	<b>249,443,000</b>	14,900,000
Payables for operating service fee	—	8,709,000
Taxes payable	<b>1,594,138</b>	1,658,375
Salaries and bonus payable	<b>2,238,146</b>	2,186,279
Payables for professional service fee	<b>26,179,218</b>	14,635,666
Deposits	<b>1,512,219</b>	1,627,917
Interests payable	<b>1,001,728</b>	852,487
Others	<b>6,620,540</b>	2,364,900
	<b><u>576,584,216</u></b>	<u>320,144,883</u>

Ageing analysis of the trade payables based on invoice date are as follows:

	<b>2020</b>	2019
	<b>RMB</b>	RMB
Less than 1 year	<b>142,870,758</b>	146,349,523
1 to 2 years	<b>16,615,342</b>	35,185,793
2 to 3 years	<b>18,020,112</b>	28,982,485
Over 3 years	<b>1,697,015</b>	35,304,492
	<b><u>179,203,227</u></b>	<u>245,822,293</u>

As at 31 December 2020 and 2019, the carrying amount of the Group's trade payables were denominated in RMB.

## 17. INTEREST IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Tangshan Tangsteel Gases Co., Ltd. ("TTG")(唐山唐鋼氣體有限公司) (note)	PRC	RMB777,965,404	100%	—	Production and sales of industrial gases
Luanxian Tangsteel Gases Co., Ltd. (灤縣唐鋼氣體有限公司)(note)	PRC	RMB12,000,000	—	100%	Production and sales of LNG
Tangshan Tangsteel Dongxin Village Gases Refuelling Station Co., Ltd. (唐山唐鋼東新村加氣站有限公司) (note)	PRC	RMB3,000,000	—	100%	An automobile LNG filling station
Zhongqi Investment (Tangshan) Gases Co., Ltd. (中氣投(唐山)氣體有限公司) (note)	PRC	RMB72,000,000	—	100%	Production and sales of industrial gases

note: All companies have adopted 31 December as their financial year end date.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The outbreak of the COVID-19 pandemic in early 2020 has severely impacted the global economy. Attributable to the effective public health measures implemented by the Chinese government, the economy of China has sustained economic growth. According to the National Bureau of Statistics of China, the China's gross domestic product (“GDP”) increased by approximately 2.3% for the year ended 31 December 2020 as compared to the year ended 31 December 2019, making it one of the few major economies that has successfully emerged from the economic downturn.

Benefiting from the stable development of macroeconomies in China, the industrial gas industry has grown steadily in 2020. The industrial gas industry demonstrated its resilience under the COVID-19 pandemic, with a surge in demand from the medical and electronics industries replacing the fall in demand from heavy industries. According to data published by OilChem China, production capacity in the industrial gas market in the Beijing-Tianjin-Hebei region was approximately 4.69 million Nm<sup>3</sup>/hr as of 31 October 2020 which represents an increase of approximately 5.65% compared to approximately 4.44 million Nm<sup>3</sup>/hr for the same period in 2019. In addition, the largest user of industrial gases is the iron and steel industry, which is also the largest source of the Company's income. In early 2020, some steel companies in China suspended operations due to the outbreak of COVID-19. However, with the pandemic under control, the iron and steel industry had gradually recovered in the second half of 2020. The demand and prices of steel recorded a rebound and the steel industry continued to improve.

#### **Operation of the Company**

On 29 December 2020, the Company was successfully listed on the Stock Exchange, raising net proceeds of approximately HK\$320 million to be mainly used for, inter alia, procurement and relocation of air separation units for its development at the Zhongqi Investment plant. The successful listing of the Company is a major milestone in its development.

Being the exclusive industrial gas supplier to HBIS Laoting Iron and Steel Co., Ltd. in the HBIS Tangsteel New District, a newly built KDONAr-60000/100000/2100 air separation unit and a relocated KDONAr-40000/40000/1360 air separation unit at the new plant of Zhongqi Investment (Tangshan) Gases Co., Ltd., a wholly-owned subsidiary of the Company, has commenced operation in the fourth quarter of 2020. The new plant of China Gas Investment (Tangshan) Gas Co., Ltd., having a production capacity of oxygen of 140,000 Nm<sup>3</sup>/hr, becomes the company's new production base.

In 2020, the Company produced 1,470,000,000 m<sup>3</sup> of oxygen, 1,770,000,000 m<sup>3</sup> of nitrogen, and 5,670,000 m<sup>3</sup> of hydrogen in total, achieving sales revenue of RMB877 million. A total of 243,500 tons of liquefied industrial gas products were sold, including 107,100 tons of liquefied oxygen, 31,900 tons of liquefied nitrogen, 61,700 tons of liquefied argon and 42,700 tons of carbon dioxide, achieving sales revenue of RMB215 million; supplied LNG and provided gas transmission service, achieving sales revenue of RMB80 million; and generated other revenue reaching RMB14 million.

## **INDUSTRY OUTLOOK AND GROUP STRATEGIES**

China's GDP growth target for 2021 is more than 6%. The Chinese government's effective measures against the COVID-19 pandemic, strong infrastructure investment policies, and liquidity support from the central bank have effectively facilitated a strong economic recovery. With the mass vaccination, we believe that the domestic and global economy will gradually recover in 2021.

The manufacturing sector of China has recovered rapidly under the pandemic. According to the General Administration of Customs of China, foreign trade hit a record high in 2020. It is estimated that the momentum of the manufacturing sector will continue for a certain period in 2021. Therefore, we believe that the industrial gas industry will also benefit from stable macroeconomic conditions and move forward steadily.

After the listing of the Company on the Stock Exchange, the management will seize the opportunities arising from its listing status to enhance the Company in all aspects.

Firstly, the proceeds raised from the initial public offering (the “**IPO**”) of the Company are to speed up the construction of the air separation unit in the Zhongqi Investment Plant which will increase and enhance the production capacity of oxygen. The relocation of the old plant is expected to be completed in the first quarter of 2021, which is expected to result in a net increase of 67,000 Nm<sup>3</sup>/hr in oxygen production capacity, representing an increase of approximately 30.7% compared to the Company’s oxygen production capacity as of 30 June 2020.

Secondly, the Company will deploy the rare gas production unit in Zhongqi Investment Plant and focus on the development of high value-added specialty gases for electronics, calibration, shielding/welding and medical applications, in order to enrich its product portfolio, diversify its customer mix and enhance its profitability. In addition, accumulating years of experience in advanced technologies in the production and supply of industrial gases, the Company will actively plan to participate in large oxygen production projects from steel, coal chemical and petrochemical companies, and seek business opportunities outside the Beijing-Tianjin-Hebei region, as well as expand its business to various downstream industries such as petrochemicals, chemicals and electronics.

Furthermore, according to non-competition undertaking executed by HBIS Group Co., Ltd (“**HBIS**”) on 15 June 2020 in favour of the Group (the “**Non-competition Undertaking**”), in the event that the Group makes a request to acquire or HBIS intends to dispose of or any third party offers to HBIS to acquire the industrial gas assets of HBIS and its subsidiaries (the “**Industrial Gas Assets**”), either in whole or in part, the Group shall have the right of first refusal to acquire the Industrial Gas Assets on a preferential basis at a fair consideration to be evaluated by an appraiser. Therefore, incorporating high-quality industrial gas assets from HBIS is an important development strategy for the Group in the foreseeable future, which provides predictable growth momentum for the development of the Company. For further details of the Non-competition Undertaking, please refer to the Prospectus and the section headed “Non-competition arrangements” in the directors’ report of the annual report to be published in due course.

In general, upon the listing of the Company, the management of the Group will seize the opportunity in the coming year, through expanding and strengthening production capacity, looking for opportunities for mergers and acquisitions of high quality assets and expand and develop new products and new target market so as to reach its mission - to become a market leader and the most influential industrial gas supplier in the PRC.

## FINANCIAL REVIEW

The gross revenue of the Group for the year ended 31 December 2020 (the “**Reporting Period**” or the “**Year**”) amounted to approximately RMB1,186.82 million (the gross turnover in 2019: approximately RMB1,305.15 million), representing a decrease of approximately 9.07% as compared with the year ended 31 December 2019. The gross profit in 2020 amounted to approximately RMB269.01 million (2019: approximately RMB282.23 million), representing a decrease of approximately 4.7% as compared with last year, mainly due to a decrease of revenue. The gross profit margin in 2020 increased by approximately 1% to approximately 22.67% (2019: 21.67%), mainly due to an increase in average selling prices of our products and cost saving measures taken during the Year. The losses in total comprehensive income attributable to owners of the Company amounted to approximately RMB25.16 million (2019: profits in total comprehensive income attributable to owners of the Company of approximately RMB132.89 million), representing a decrease of approximately 119%. Loss per share attributable to equity shareholders of the Company amounted to approximately RMB-0.03 (2019: RMB0.15), representing a decrease of approximately 120% as compared to the year ended 31 December 2019.

### Revenue

Revenue for the Reporting Period decreased by approximately 9.07% from approximately RMB1,305.15 million in 2019 to approximately RMB1,186.82 million. During the Year, revenue derived from supply of pipeline industrial gas amounted to approximately RMB877.51 million, representing a decrease of approximately 5.81% as compared to approximately RMB931.64 million in 2019. Revenue derived from supply of liquefied industrial gas amounted to approximately RMB214.98 million, representing a decrease of approximately 15.76% as compared to approximately RMB255.20 million in 2019. Revenue derived from supply of LNG and gas transmission service for 2020 amounted to approximately RMB81.22 million, representing a decrease of approximately 21.6% as compared to approximately RMB103.60 million for 2019. Other revenue was approximately RMB13.11 million, representing a decrease of approximately 10.96% as compared to approximately RMB14.72 million for 2019, mainly due to the fact that demand reduced as a result of the outbreak of COVID-19 in early 2020, and the relocation of TTG headquarters plant has caused disruption to the production of the old plant, while the new plant is at the trial run stage.

### **Other income and other losses**

Other income for the Reporting Period decreased by approximately 20.27% to approximately RMB1.79 million (2019: approximately RMB2.25 million), mainly due to no investment income generated from bank wealth management product of the Group for the Year.

Other losses for the Year increased by approximately 4,883.93% to approximately RMB21.00 million (2019: RMB0.42 million), mainly due to the impairment of plant, equipment and property as well as net foreign losses.

### **Selling and distribution expenses**

Selling and distribution expenses for the Year decreased by approximately 17% to RMB1.36 million (2019: RMB1.63 million), as sales personnels tended to communicate with clients through telephone given the pandemic situation so as to reduce the population mobility, leading to a decrease in traveling expenses.

### **Administrative expenses**

Administrative expenses for the year ended 31 December 2020 increased by approximately 34.26% to approximately RMB53.96 million (2019: approximately RMB40.19 million), due to an increase in depreciation expenses related to the increase in capital expenses pertaining to the relocation of equipment from TTG headquarters plant, newly built property, plant and equipment, and increase in expenses related to the listing of the Company.

## **Impairment Provision on Loan Receivables**

Between 30 November 2020 and 1 December 2020, Mr. David T Chen on behalf of the Company entered into the Loan Agreements with the Borrowers for the advancement the Loans in an aggregate sum of RMB118,000,000.

Although the Company had continuously demanded for settlement with Borrowers, the Company has not received any repayment up to date. After taking into account that the Loans became long overdue and recoverability of the balances, the Group has considered it is unlikely to recover the outstanding Loans balances of RMB118,000,000 and hence an impairment provision on Loans receivables of RMB118,000,000 is made.

## **Finance costs**

Finance costs for the year ended 31 December 2020 increased by approximately 17.3% to approximately RMB22.73 million (2019: approximately RMB19.37 million), mainly due to an increase in interest expenses for financing activities as the Group's bank borrowings increased.

## **Income tax expense**

Income tax expense for the year ended 31 December 2020 decreased by approximately 18% to approximately RMB31.39 million (2019: approximately RMB38.19 million), since the decrease in operation earnings of various subsidiaries operates in Hong Kong.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group had a total cash and bank balances of approximately RMB511.83 million as at 31 December 2020 of which approximately 62% was in Hong Kong dollars, 32% was in RMB and 6% was in United States dollars (2019: approximately RMB139.79 million of which approximately 61% was in RMB and 39% was in United States dollars). As at 31 December 2020, bank and other borrowings of the Group amounted to approximately RMB607.80 million (2019: approximately RMB383.00 million), which include bank borrowings of approximately RMB594.49 million (2019: approximately RMB368.00 million), lease liability of approximately RMB13.30 million (2019: approximately RMB15.00 million). The bank borrowings bear interest rate at range of Loan Prime Rate +0.50% to +4.785% and People's Bank of China benchmark interest rate 4.35%. The Group's gearing ratio (calculated as net debt divided by total equity) was 46% as at 31 December 2020 (2019: 29%). Net debt is calculated as total borrowings, as well as lease liabilities. Net debts were approximately RMB607.80 million as at 31 December 2020 (2019: Net debts of approximately RMB383.00 million).

The Group recorded total current assets value of approximately RMB930.47 million as at 31 December 2020, representing an increase of approximately 51.31% as compared to approximately RMB614.94 million in 2019; and total current liabilities value of approximately RMB920.53 million as at 31 December 2020, increased by approximately RMB323.09 million as compared to approximately RMB597.44 million in 2019. The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 1.01 as at 31 December 2020 (2019: approximately 1.03). The current ratio continues to maintain a healthy condition.

Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity and bank borrowings.

## **DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (the year ended 31 December 2019: RMB0.957 per Share).

## **RISK MANAGEMENT**

The Group's principal financial instruments include financial assets at fair value through profit or loss, loan receivables, receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts and other receivables and bank balances and cash. The main purpose of these financial instruments is to support the Group's LNG business. The Group also has various financial assets and financial liabilities arising from its business operations. The principal risks arising from its financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group intends to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on its business and financial condition. The Group will not obtain collateral from counterparty. At the end of the Reporting Period, the credit risk of the Group as measured by trade receivables due from the biggest customer and the five biggest customers of the Group, respectively, as a percentage of total trade receivables, was 92% (2019: 88%) and 96% (2019: 96%). For the year ended 31 December 2020, trade and note receivables were determined to have low credit risk and low expected credit losses, and no provisions were made for the impairment losses of such trade and note receivables. The management of the Group also evaluated available forward-looking information, including but not limited to the expected growth rate of the industry and the subsequent settlement, and concluded that the credit risk has no significant increase. As at 31 December 2020 and 2019, approximately 94% and 93% of trade receivables of the Group was from HBIS Group Co., Ltd. and its subsidiaries and associates (collectively, "HBIS Group"). Due to the strong business relationship with HBIS Group and its good reputation, the management expected that HBIS Group's poor performance would not have a significant impact on the Group. The credit period granted to the Group's customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience, business relationship with the Group and other factors. In view of the sound collection history of receivables due from them, the management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from them is not significant. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group during the Year, and the Directors consider that it is effective in managing liquidity risks.

## **Foreign currency risk**

As other payables as well as cash and cash equivalents of the Group, which are dominated in other currency different to the function currency of its related business, were mainly generated from the business outside China, the currencies that caused such exposure are primarily the United States dollars and Hong Kong dollars. The Group did not use derivative financial instruments to hedge against its foreign exchange risk. The Group periodically reviews its foreign exchange risk and considers that there is no significant exposure to its foreign exchange risk.

## **Liquidity risk**

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The Group manages its liquidity risk through regular monitoring with the following objectives: maintaining the stability in developing the Group's principal businesses, timely monitoring cash and bank position, projecting cash flows and evaluating the level of current assets to ensure liquidity of the Group.

## **TREASURY POLICIES**

Bank balance and cash held by the Group was denominated in Hong Kong dollars, Renminbi and United States dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign currency and interest rate exposure from time to time and would consider hedging significant foreign currency and interest rate exposure should the need arise.

## **CAPITAL COMMITMENT**

As at 31 December 2020, the total capital commitments by the Group amounted to approximately RMB184.27 million (2019: approximately RMB223.23 million), representing a decrease of approximately 17.45% as compared to 2019. They were mainly contracted commitments in respect of purchase of property, plant and equipment.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2020 (2019: Nil).

## **STAFF AND REMUNERATION POLICIES**

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

The Group places high emphasis on the training and development of its staff. The Group invests in continuing education and training programs for its management and other staff members to update their skills and knowledge periodically. The Group provides training for its staff members with respect to its operation, technical knowledge and work safety standards and environmental protection.

To attract and retain the suitable personnel who are beneficial to the development of the Group, the Group has adopted a share option scheme since June 2020 (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, share options may be granted to eligible employees of the Group as a long-term incentive. No share options were granted, cancelled, lapsed or exercised in 2020 (2019: Nil).

The Group hired 370 employees in total as of 31 December 2020 (31 December 2019: 400). The Group's total staff costs amounted to approximately RMB40.04 million for the Year (for the year ended 31 December 2019: approximately RMB46.74 million). The Group offers competitive remuneration packages to its employees.

The Group determines remuneration of employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees with reference to the Group's performance as well as individual's performance.

### **Share Option Scheme**

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then shareholders passed on 17 June 2020. The Company is thus entitled to issue a maximum of 120,000,000 Shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the Shares in issue immediately after the completion of the Global Offering and as at the date of the Listing (i.e. 29 December 2020). The purpose of the Share Option Scheme is to motivate any director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "**Executive**"), a director or proposed director (including an independent non-executive director) of any member of the Group, a general staff of any member of the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides advisory, consultancy, professional or other services to any member of the Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons (collectively, the "**Eligible Persons**") to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

During the year ended 31 December 2020 and as at the date of this announcement, no option was granted by the Company under the Share Option Scheme. The Company did not have any outstanding share options as at 31 December 2020 and up to the date of this announcement.

## **OTHER MATTERS**

### **Change of Auditor**

On 3 December 2021, the Company announced that PricewaterhouseCoopers (“**PwC**”) resigned as the auditor of the Company with effect from 29 November 2021. The Board resolved, with the recommendation of the audit committee of the Company (the “**Audit Committee**”), to appoint BDO Limited as the new auditor of the Company with effect from 3 December 2021 to fill the vacancy following the resignation of PwC, and to hold office until the conclusion of the next annual general meeting of the Company.

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group had no material acquisitions, disposals, or investment projects for sale during the Reporting Period.

### **IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to the Reporting Period and up to the date of this results announcement.

### **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The net proceeds from the Global Offering amounted to HK\$315.9 million (equivalent to RMB298.1 million) after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering.

As at 31 December 2020, due to the proximity in time between completion of the Global Offering and the year-end date, the proceeds raised by the Company from the Global Offering have not been fully utilized.

The Group will gradually utilise the net proceeds in accordance with the intended purposes and expected timeline as disclosed in the Prospectus. The breakdown of the intended use and amount utilised as at 31 December 2020 were as follows:

	Planned use of net proceeds as stated in the Prospectus RMB'000	Approximate amount utilised net proceeds as at 31 December 2020 RMB'000	Approximate amount of unutilised net proceeds as at 31 December 2020 RMB'000	Expected timeline of application of the unutilised net proceeds
<b>Procurement and relocation of ASUs relating to the development at the Zhongqi Investment Plant</b>				
<b>Phase I</b>				
First ASU: payment for the remaining procurement and installation cost	64,990	64,990	0	N/A
Second ASU: payment for the remaining procurement and installation cost and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant	101,790	101,709	0	N/A
Third ASU: relocation and installation of a used ASU from the TTG headquarters plant	80,170	26,000	54,170	30 Jun 2021
<b>Phase II</b>				
Fourth ASU: procurement and installation of a new ASU	50,553	0	50,553	31 Dec 2022
<b>Working capital and other general corporate purposes</b>	27,300	0	27,300	30 Jun 2021
<b>Total</b>	324,803	192,780	132,023	N/A

## **OTHER INFORMATION**

### **ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS**

The Company will arrange the time of convening the forthcoming annual general meeting (“AGM”) as soon as practicable, and the notice of the AGM will be published and despatched to the shareholders of the Company in a timely manner in accordance with the requirements of the Listing Rules and the Articles. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in the notice of the AGM.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the period from the Listing Date (as defined below) and up to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company’s listed securities.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year under review the amount of public float as required under the Listing Rules.

### **CORPORATE GOVERNANCE**

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (effective until 31 December 2021) (the “CG Code”) contained in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices.

Code provision A.1.1 (which has been renumbered as code provision C.5.1 with effect from 1 January 2022) of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 29 December 2020 (the “**Listing Date**”), no Board meeting was held from the Listing Date and up to 31 December 2020.

Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from 1 January 2022) of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. David T Chen is the chairman of the Board who provides leadership and is responsible for the effective functioning and leadership of the Board. Mr. Chen is also one of the founders of the Group who performed the duty of chief executive officer during the year ended 31 December 2020 and was responsible for overall and comprehensive leading management and supervision of the relevant business of the Group. As disclosed in the announcement of the Company dated 11 May 2021, all the day-to-day duties, powers and authorities of Mr. Chen had been suspended since 10 May 2021, pending the outcome of the Investigation. The Board considers that the balance of power and authority, accountability and independent decision-making under the above arrangement would not have been impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises three independent non-executive Directors, three non-executive Directors and three executive Directors also provides added independence to the Board. Further, the Audit Committee which comprises one non-executive Director and two independent non-executive Directors has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary.

Save as disclosed above, in the opinion of the Board, the Company has complied with the applicable code provisions in the CG Code throughout the period from the Listing Date and up to 31 December 2020.

As disclosed in the Company's announcement dated 31 March 2021, on 24 March 2021, the then auditors of the Company, PwC, informed the Board and the Audit Committee, inter alia, that they required additional information and documentation on the Transactions during the course of preparing the consolidation financial statements for the year ended 31 December 2020. The Board then formed the Investigation Committee to assist in carrying out the Investigation.

As more time was required for the Investigation Committee to verify the information on the Transactions and to carry out the Investigation and address the Transactions in order for the auditors of the Company to complete the audit, the release of the annual results for the year ended 31 December 2020 (the "**2020 Annual Results**") and the despatch of the annual report for the same period (the "**2020 Annual Report**") had been delayed.

Since the publication of the 2020 Annual Results was pending, the publication of the interim results for the six months ended 30 June 2021 (the "**2021 Interim Results**") and the despatch of the interim report for the same period (the "**2021 Interim Report**") had been delayed.

The delay in publication of the 2020 Annual Results and the despatch of the 2020 Annual Report constitutes non-compliance of Rules 13.49(1) and 13.46(2)(a) of the Listing Rules respectively. The delay in publication of the 2021 Interim Results and the despatch of the 2021 Interim Report constitutes non-compliance of Rules 13.49(6) and 13.48(1) of the Listing Rules respectively; and the failure to lay the financial statements for the year ended 31 December 2020 before its members at an annual general meeting within 6 months after the end of the financial year constitutes non-compliance of Rule 13.46(2)(b) of the Listing Rule.

The Company had kept the shareholders and potential investors informed of the progress of the aforesaid matters by announcements. Eventually, the 2020 Annual Results and 2021 Interim Results were released and published on the websites of the Stock Exchange and the Company on 31 March 2022. It is expected that the 2020 Annual Report and 2021 Interim Report will be released and published before 30 April 2022. The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company had complied with the Listing Rules in keeping the shareholders and investors informed of the progress of the aforesaid matters.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry with the Directors, Directors have confirmed that the required standards of the Model Code had been complied with throughout the period from the Listing Date and up to 31 December 2020.

## **KEY FINDINGS OF INDEPENDENT INVESTIGATION AND ENHANCED INTERNAL CONTROL**

On 23 March 2022, the Company announced the key findings of the Independent Investigation (the "**Key Findings Announcement**") as set out in note 2(d) to the consolidated financial statements.

The Board has reviewed the content and the findings of the Independent Investigation in the two most updated draft investigation reports issued by the Forensic Accountant on 18 February 2022 (the "**Draft Investigation Reports**"). The Board is of the view that the Independent Investigation has comprehensively investigated into the matters raised by PwC and adequately addressed the concerns raised by PwC to the extent that is practicable, despite the limitations as set forth in the Key Findings Announcement, and that the content and the findings of the Independent Investigation in the Draft Investigation Reports are reasonable and acceptable.

The Board is of the view that, based on its review of the findings of the Independent Investigation in the Draft Investigation Reports and on balance, the nature of Transactions 1, 2 and 3 is likely to be as stated in the Loan Agreements, that they are loans from the Company to the Borrowers; and the nature of Transaction 4 is likely to be as stated in the Investment Agreement, that it is an investment in loan notes made by the Company for the purpose of managing free cash to earn higher return. None of the Transactions was approved by the Board. Notwithstanding the Forensic Accountant's conclusion that save and except for the Xijie'ai Agreement, the Expanded Investigation has not uncovered direct evidence of management override by Mr. Chen and Mr. Bai, given that none of the Transactions were approved by the Board, and that, in particular, the telegraphic transfers made pursuant to the Loan Agreements and the Investment Agreement were approved by Mr. Chen and Mr. Bai themselves, the Board considers that there was management override by Mr. Chen and Mr. Bai.

In the assessment of the Board, the Board is of the view that the unauthorised acts of Mr. Chen and Mr. Bai do not have material adverse impact on the business operations of the Group as those acts concerned the Company at the holding company level and did not concern the day-to-day on-the-ground operations of the rest of the Group. Furthermore, since all the day-to-day duties, powers and authorities of Mr. Chen have been suspended since 10 May 2021. The Group's business operations have continued as usual despite the suspension of trading in the Shares since 25 March 2021.

Based on the recommendations made by the Investigation Committee, the Board has taken or will take the following actions:

1. The Board has resolved that Mr. Chen is no longer suited to hold any position within the Group and steps will be taken to remove him from all offices he holds within the Group (including removing him as a Director).
2. The Board proposes to appoint Mr. Yao Li (an executive Director) as the chairman of the Board and the chairman of the Nomination Committee in place of Mr. Chen and Mr. Li Libing as the chief executive officer of the Company.

3. The Company will designate the roles and responsibilities within senior management and the Board as to particular areas of focus for each member or class of members, and which members are to have access to or be the designated owners or reviewers of particular classes of documents.
4. The Company will identify and appoint a suitably qualified accountant with the relevant professional experience as chief financial officer at the listed company level of the Group and recruit a professional team that would report to him/her.
5. The Company will identify and appoint a suitably qualified in-house company secretary and has appointed a law firm in Hong Kong to act as company counsel to the Company to help ensure and supervise the Company's compliance with the Listing Rules and the disclosure requirements thereunder. Further, the Company will engage other relevant professionals, as and when required, to help perfect governance of the Group.
6. The Company has engaged an internal control consultant to review the Group's internal control systems and procedures in response to the concerns identified during the Independent Investigation. The Company has implemented and will continue to enhance its internal controls measures to address and resolve all issues identified in the course of the Company's continuous efforts on reviewing and enhancing its internal controls.
7. The Company has appointed a compliance director to ensure the Company's compliance with the Listing Rules, corporate governance and all applicable laws, rules, codes and guidelines and to provide regular trainings for management personnel of the Group in this regard.
8. The Company has implemented measures to strengthen its payment authorization processes, with new checks and balances to be installed to ensure due supervision, authorization and approval.
9. The Company has implemented measures to segregate the approval and supervision process for material contract approval and signing.

10. The Company will adopt a dividend policy to strengthen and supervise more tightly its dividend declaration, distribution and payment processes, including maintaining appropriate records in relation thereto; and strengthen board approval, disclosure and notification to shareholders (i.e. all public and substantial shareholders).
11. The Company has implemented measures to strengthen its governance and operational control over the supervision of its office operations and the Group.
12. The Company has implemented and will continue to enhance the measures on declaration of conflict of interests by directors and senior management of the Group and will implement checks and balances at the Company and subsidiary levels and enhance and monitor systems and controls designed towards preventing undetected abuse of power by any future director, chief executive officer and/or other senior management.
13. The Company will continue to expend efforts on all available methods and to exercise its rights in relation to the recovery of the defaulting Loans and Investment.

For details of the key findings of the Independent Investigation, please refer to the Key Findings Announcement.

## **REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Audit Committee has reviewed together with the Board and BDO Limited, the Group's external auditor, the audited consolidated financial statements of the Group for the Reporting Period. The Audit Committee is satisfied that the audited consolidated financial statements of the Group for the Reporting Period were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period.

## EXTRACT OF INDEPENDENT AUDITOR’S REPORT

### Qualified Opinion

We have audited the consolidated financial statements of China Gas Industry Investment Holdings Co., Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Qualified Opinion

On 30 November 2020 and 1 December 2020, the Company entered into three loan agreements with Company A, Company B and Company C (collectively “**the Borrowers**”) with principal amounts of RMB50,000,000, RMB53,522,000 and RMB14,478,000 respectively (the “**Loan Agreements**”). On 7 December 2020 and 10 December 2020, the Company transferred the funds stipulated in the Loan Agreements to the Borrowers. Pursuant to the Loan Agreements, the loans were interest bearing at 2% per annum and the principal amounts would mature on 30 December 2020. The principal amounts and the interest thereon would become repayable on 30 December 2020 (hereinafter referred to as the “**Loan Transactions**”). The Company accounted for the transfers of funds to the Borrowers as Loans Receivables (as defined below) in the consolidated financial statements for the year ended 31 December 2020.

The loan receivables (“**Loan Receivables**”) were measured at amortised cost less allowance for expected credit loss according to the accounting policies set out in note 4(g) to the consolidated financial statements. At the reporting date, repayment of the principal balances and interests thereon under the Loan Agreements were overdue for one day. Repayments of these balances remained outstanding up to the date of this report. The board of directors of the Company (the “**Board**”) determined that full loss allowance of the outstanding principal balances of RMB118,000,000 in aggregate should be provided due to the long overdue. Accordingly, a loss allowance of RMB118,000,000 was recognised in the consolidated statement of comprehensive income and disclosed in note 11 to the consolidated financial statements. After offsetting the loss allowance, the carrying amount of the Loan Receivables became RMB Nil as at 31 December 2020.

Subsequent to the end of the reporting period, on 18 January 2021, the Company entered into a loan notes agreement with Company D (the “**Loan Note Agreement**”). Pursuant to the Loan Note Agreement, the Company agreed to provide Company D with a loan of principal amount of HK\$80,000,000 (approximately RMB66,400,000). The loan was interest bearing at 4.5% per annum. Both the principal amount and the interests thereon would become repayable on 17 December 2021. On 28 January 2021, the Company transferred the fund stipulated in the Loan Note Agreement (hereinafter referred to as the “**Note Investment**”) to Company D. The Note Investment was disclosed in note 39 “Events after the reporting period” to the consolidated financial statements and was not recognised in the consolidated financial statements. Note 3(b) to the consolidated financial statements also contains details of the Note Investment.

During our audit of the financial statements for the year ended 31 December 2020, we have obtained knowledge relating to the Loan Transactions and the Note Investment (“**our Knowledge**”) including:

- (i) the Group engaged in the production and sales of industrial gases. The Loan Transactions and the Note Investment are transactions outside the normal course of business of the Group;

- (ii) the Loan Transactions and the Note Investment were approved by the Chairman of the Board (the “**Chairman**”) who was also an executive director of the Company. According to the Company’s internal control policies and procedures, due to the amounts of the Loan Transactions and the Note Investment, the Loan Transactions and the Note Investment should have been approved by the Board;
- (iii) the Company had not performed background check and due diligence on the Borrowers and Company D before entering into the Loan Transactions and the Loan Note Agreement;
- (iv) the Company had set aside funds in a bank account for distributions to its shareholders to settle the dividends payable to them. To change the use of these designated funds would need the approval by the Board. Without prior approval by the Board, the Chairman instructed the transfer of these designated funds to the Borrowers and Company D to fulfil the Company’s commitment in the Loan Agreements and the Loan Note Agreement; and
- (v) as at the date of this report, there were no repayments from the Borrowers and the balance due from Company D was substantially outstanding.

**Scope limitation on our work to ascertain the nature of the Loan Transactions and the Note Investment**

Given our Knowledge obtained in the audit relating to the Loan Transactions and the Note Investment, we concerned about the commercial substance and business rationale of these transactions. And whether it is appropriate to recognise the Loan Transactions as the Group’s Loan Receivables and disclose the Note Investment as the Group’s Note Investment in the consolidated financial statements. We have communicated our concern to the Board and requested explanations from the Board how our concern has been considered in their determination that the Loan Transactions were recognised as Loan Receivables of the Group and the Note Investment was disclosed as Note Investment in the consolidated financial statements. However, we have not received explanations from the Board that would satisfy ourselves as to the commercial substance and business rationale of the Loan Transactions and Note Investment.

There were no alternative audit procedures that we could perform to satisfy ourselves on the above concerns. As a result, we were unable to conclude whether the Loan Transactions were properly accounted for and the Note Investment was properly disclosed in the consolidated financial statements, and the consolidated financial statements for the year ended 31 December 2020 are free from material misstatement.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the “**Code**”) issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.cgiiholdings.com](http://www.cgiiholdings.com)). The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:33 a.m. on 25 March 2021 pending the publication of the 2020 Annual Results and will remain suspended until further notice pending the Company’s fulfilment of the resumption guidance as set out in the announcement of the Company dated 28 May 2021.

The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.**  
**Yao Li**  
*Executive Director and Vice Chairman*

Hong Kong, 31 March 2022

*As of the date of this announcement, the Board of Directors of the Company comprises: (1) Mr. David T CHEN (duties suspended), Mr. YAO Li 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.*