

CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

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

Stock code : 1940



2021 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. David T Chen (*Chairman*) (*duties suspended*)
Mr. Yao Li (*Vice Chairman*)
Ms. Gao Guimin

Non-executive Directors

Mr. Zhang Aimin
Mr. Lai Yui
Ms. Ng Shuk Ming

Independent Non-executive Directors

Mr. Siu Chi Hung
Mr. Xiao Huan Wei
Ms. Li Chun Elsy

COMPANY SECRETARY

Ms. Siu Wing Kit

AUTHORISED REPRESENTATIVES

Mr. Yao Li
Ms. Siu Wing Kit

AUDIT COMMITTEE

Mr. Siu Chi Hung (*Chairman*)
Mr. Zhang Aimin
Mr. Xiao Huan Wei

REMUNERATION COMMITTEE

Mr. Xiao Huan Wei (*Chairman*)
Ms. Gao Guimin
Mr. Siu Chi Hung

NOMINATION COMMITTEE

Mr. David T Chen (*Chairman*) (*duties suspended*)
Mr. Yao Li (*Vice Chairman*)
Mr. Xiao Huan Wei
Mr. Siu Chi Hung
Ms. Li Chun Elsy

AUDITOR

BDO Limited
Certified Public Accountants
and Registered Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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The People's Republic of China

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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BRANCH OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

China Construction Bank
ICBC
Bank of China
Bank of Communications

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

HONG KONG LEGAL ADVISER

MinterEllison LLP
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR

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STOCK CODE

Stock Code: 1940

WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”).

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

BUSINESS REVIEW

In the first half of 2021, global economic gradually recovered, and China recorded a higher economic growth due to its effective control measures on COVID-19 pandemic. According to the National Bureau of Statistics of China, China’s gross domestic product (“**GDP**”) increased by 12.7% in the first half of 2021 compared to last year, and exports of goods increased by 28.1% year-on-year.

The Group’s key products, industrial gases, are mainly used for the production of iron and steel, and its revenue is derived mainly from a major steel production company. Benefiting from the sound economic condition and heavy demand for steel, the iron and steel industry of the PRC has shown a great performance on sales volume and price in the first half 2021. According to the Ministry of Commerce of the People’s Republic of China (the “**PRC**”), China Steel Price Index (CSPI) increased by 39.28% in the end of June 2021 as compared to last year, and the accumulated production volume of steel increased by 13.9% in the first half of 2021 as compared to last year. The China industrial gas industry grew steadily in the first half of 2021 as a result of the macroeconomic as well as favourable situation of iron and steel industry. In the first half of 2021, there was an increasing demand for industrial gas for the heavy industry, while there were also increasing demands in various industries such as medical, electronics, etc.

Operation of the Company

In the first half of 2021, the revenue of the Company remained stable as compared to the corresponding period of last year, as the new production capacity of the Group to be ramped up progressively. During the Reporting Period, the operation of the new KDONAr-60000/100000/2100 air separation unit with an average capacity utilization of approximately 89.96% was satisfactory. An existing auxiliary equipment which was relocated from headquarters plant of Tangshan Tangsteel Gases Co., Ltd. (“**TTG**”), and a newly installed KDONAr-40000/80000/1400 air separation unit had an average capacity utilization of approximately 52.08%. Additionally, an existing KDONAr-40000/40000/1360 air separation unit relocated from TTG headquarters plant had an average capacity utilization of approximately 68.95%.

OUTLOOK

China’s GDP is aimed at the growth rate exceeding 6% in 2021, and the GDP has recorded an increase of 12.7% in the first half of 2021. Therefore, the outlook of the economy growth of the second half of 2021 is relatively optimistic. However, macro adjustment policies promulgated by government of the PRC in the beginning of the second half of 2021 will bring uncertainties for overall economy as well as steel production and industrial gas industry.

The future business development of the Company will remain relatively stable as the Group is supported by customers with strong background. At the end of June 2021, the overall production capacity utilization of the Group was approximately 73.71%. As such, it is expected that the production capacity of the relocated plants and the newly installed plant will gradually increase in the foreseeable future, driving business growth.

In respect of demand for gas, HBIS Company Limited could utilise such new production capacity mainly reflected in the following aspects:

1. Significant increase in iron, steel and bar production plan of Tangshan Iron and Steel Group Co., Ltd. (“**HBIS Tangsteel**”) in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, HBIS Tangsteel has recorded steel production of 10,750,000 tons, iron production of 11,240,000 tons as well as bar production of 10,580,000 tons. The production target of 2022 is to reach steel production of 15,860,000 tons, iron production of 17,480,000 tons as well as bar production of 16,910,000 tons. The increase in gas demand is due to an increase in iron, steel and bar production plans for 2022.

2. The operations of the installed 4# blast furnace in HBIS Tangshan Branch.

The 4# blast furnace will commence operations in March 2022 and production at the end of June 2023. The Company plans to install an air separation unit with a scale of 60,000 or a set of pressure swing adsorption with same oxygen production scale.

3. HBIS Tangshan Branch was awarded as A-class environmental friendly corporate.

On 6 January 2022, the Department of Ecology and Environment of Hebei Province (河北省生態環境廳) issued an official documentation, indicating that HBIS Tangshan Branch was awarded as A-class environmental friendly corporate, so that its equipment can operate on a 24/7 basis without any production limit. The use of oxygen, nitrogen and argon will be more effective as compared with 2020.

4. Increased iron production with high oxygen enrichment.

Based on high air flow, the blast furnace enriches oxygen and gradually increases the differential pressure level. Production is enhanced by high air flow, high top pressure, high differential pressure and high oxygen enrichment.

FINANCIAL REVIEW

Gross turnover of the Group for the Reporting Period amounted to approximately RMB590.36 million (same period in 2020: approximately RMB597.73 million), representing a decrease of approximately 1.2% as compared with the six months ended 30 June 2020. Gross profit for the Reporting Period amounted

to approximately RMB111.68 million (six months ended 30 June 2020: approximately RMB140.53 million), representing a decrease of approximately 20.5%, mainly due to lower revenue and that the production facilities at the newly built plant was at trial run stage. For the Reporting Period, the Company made a loss attributable to owners of approximately RMB39.30 million (six months ended 30 June 2020: profits attributable to owners of approximately RMB65.80 million). Loss for the Reporting Period was mainly attributable to the credit loss allowance for note investment amounting to RMB66.40 million. Loss per share attributable to equity shareholders of the Company (the "Shareholders") for the six months ended 30 June 2021 amounted to approximately RMB0.03 (six months ended 30 June 2020: Earnings per share of RMB0.07).

Revenue

Revenue for the Reporting Period decreased by approximately 1.2% from approximately RMB597.73 million for the six months ended 30 June 2020 to approximately RMB590.36 million. For the Reporting Period, revenue derived from supply of pipeline industrial gas amounted to approximately RMB419.11 million, representing a decrease of approximately 7.3% as compared to approximately RMB452.12 million for the six months ended 30 June 2020. Revenue derived from supply of liquefied industrial gas amounted to approximately RMB95.15 million for the Reporting Period, representing a decrease of approximately 6.43% as compared to approximately RMB101.69 million for the same period in 2020. Revenue derived from supply of LNG and gas transmission service for the Reporting Period amounted to approximately RMB67.76 million, representing an increase of approximately 91.4% as compared to approximately RMB35.40 million for the same period in 2020. Other sales revenue for the Reporting Period was approximately RMB8.35 million, representing a decrease of approximately 2.1% as compared to approximately RMB8.53 million for same period in 2020. The decreases above were mainly due to more stringent environmental policies being implemented by governments in early 2021 which limited and disrupted some productions in the stainless steel plant of TTG as well as the fact that the production facilities at Tangsteel New District were at trial run stage.



MANAGEMENT DISCUSSION AND ANALYSIS

Other income and other losses

Other income for the Reporting Period increased by approximately 527.7% to approximately RMB9.90 million (six months ended 30 June 2020: approximately RMB1.58 million). The increase in other income was mainly due to higher amount of government subsidy received for the Reporting Period.

Other losses for the Reporting Period increased by approximately 796% to approximately RMB7.48 million (six months ended 30 June 2020: approximately RMB0.83 million). The increase in other losses was mainly due to net foreign exchange losses.

Selling and marketing expenses

Selling and marketing expenses for the Reporting Period increased by approximately 19% to approximately RMB0.90 million (six months ended 30 June 2020: approximately RMB0.76 million). The increase in selling and marketing expenses was due mainly to the launch of a new product, lean krypton xenon liquid oxygen, which required additional marketing efforts.

Administrative expenses

Administrative expenses for the Reporting Period increased by approximately 80.4% to approximately RMB35.82 million (six months ended 30 June 2020: approximately RMB19.86 million). The increase in administrative expenses was due to the increase in depreciation costs as a result of an increase in capital expenses pertaining to the relocation of supporting facilities from TTG headquarters plant in 2021, newly built property, plant and equipment for the Reporting Period. There was also an increase in expenses relating to the Investigation (as defined in note 2 to the interim condensed consolidated financial statements).

Credit Loss Allowance for Note Investment

On 18 January 2021, Mr. David T Chen (“**Mr. Chen**”) on behalf of the Company entered into a subscription agreement dated 18 January 2021 (the “**Investment Agreement**”) in respect of HK\$80,000,000 secured loan notes issued by Union Space Group Limited (“**Union Space**”) with a fixed return of 4.5% per annum (the “**Investment**”). On 17 December 2021 when the Investment (as defined in note 2 to the interim condensed consolidated financial statements) became due, the Company did not receive any repayment, and the Company has not received any repayment since then. After taking into account the recoverability of the balance, the Group has considered it is unlikely to recover the outstanding investment balance of HKD80,000,000 (approximately RMB66,400,000), so an impairment provision of RMB66.4 million has been made for the Investment.

Finance costs

Finance costs for the Reporting Period increased by approximately 31.9% from approximately RMB10.27 million for the six months ended 30 June 2020 to approximately RMB13.55 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 Reporting Period decreased by approximately 8.4% to RMB19.21 million (six months ended 30 June 2020: approximately RMB20.97 million), due to the decrease in operating profit of certain subsidiaries in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately RMB349.83 million as at 30 June 2021 (31 December 2020: approximately RMB511.83 million). As at 30 June 2021, bank and other borrowings of the Group amounted to approximately RMB640.44 million (31 December 2020: approximately RMB607.80 million), which included bank borrowings of approximately RMB623.33 million (31 December 2020: approximately RMB594.50 million) and lease liability of approximately RMB14.11 million (31 December 2020: approximately RMB13.30 million). The bank borrowings bore interest rate at a 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 total debt divided by total equity) was 50% as at 30 June 2021 (31 December 2020: 46%). Net debt, calculated as total borrowing as well as lease liability less cash and cash equivalents was approximately RMB290.61 million as at 30 June 2021 (31 December 2020: RMB96.00 million).

The Group recorded total current assets of approximately RMB780.18 million as at 30 June 2021, representing a decrease of approximately 16.2% as compared to approximately RMB930.46 million in 31 December 2020; and total current liabilities of approximately RMB703.58 million as at 30 June 2021, representing a decrease of RMB216.95 million as compared to approximately RMB920.53 million as at 31 December 2020. The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was approximately 1.1 as at 30 June 2021 (31 December 2020: approximately 1.01). The current ratio continued 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

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, 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 settlement after the expected, and concluded that the credit risk has no significant increase. As at 30 June 2021, approximately 92% of trade receivables of the Group was payable by HBIS Group. The credit period granted to the Group's customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed, and their financial position, past experience, business relationship with the Group and other factors are also taken into account. In view of the sound history of receivables due from them, the management believes that the fixed credit risk of the Group's unsettled trade receivables balance is insignificant. The Group aims to maintain its current assets at appropriate level and is committed to a capital limit. This ensures the Group can satisfy its short term and long term liquidity needs. For the Reporting Period, the Group had been following the liquidity policy, which has been effective in managing liquidity risk. The cash flow generated from the operation is expected to be able to satisfy the Company's need for cash flow in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

Pledge of Assets

As at 30 June 2021, certain property, plant and equipment of the Group amounting to RMB17.14 million (31 December 2020: RMB17.32 million) were pledged to banks for loan facilities granted to the Group.

TREASURY POLICIES

Bank balance and cash held by the Group were 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 monitors 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries or associated companies, or investment projects for sale during the Reporting Period.

CAPITAL COMMITMENT

As at 30 June 2021, the total capital commitments by the Group amounted to approximately RMB67.42 million (31 December 2020: approximately RMB184.27 million). 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 30 June 2021 (2020: 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 our 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.

MANAGEMENT DISCUSSION AND ANALYSIS



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 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 option were granted, cancelled, lapsed or exercised up to the date of this interim report.

The Group hired 370 employees in total for the Reporting Period (31 December 2020: 370). The Group’s total staff costs amounted to approximately RMB24.5 million for the Reporting Period (for the year ended 31 December 2020: approximately RMB40.04 million). The Group offers competitive remuneration packages to our employees.

The Group determines remuneration of its 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.

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 interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 30 June 2021 were as follows:



| | Planned use of net proceeds as stated in the Prospectus RMB'000 | Approximate amount of utilised net proceeds as at 30 June 2021 RMB'000 | Approximate amount of unutilised net proceeds as at 30 June 2021 RMB'000 | Expected timeline of application of the unutilised net proceeds |
|--|--|---|---|---|
| Procurement and relocation of air separations unit(s) ("ASUs") relating to the development at the Zhongqi Investment Plant | | | | |
| Phase I | | | | |
| 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 | 101,790 | 0 | N/A |
| Third ASU: relocation and installation of a used ASU from the TTG headquarters plant | 80,170 | 80,170 | 0 | N/A |
| Phase II | | | | |
| Fourth ASU: procurement and installation of a new ASU | 50,553 | 0 | 50,553 | 31 Dec 2022 |
| Working capital and other general corporate purposes | 27,300 | 27,300 | 0 | N/A |
| Total | 324,803 | 274,250 | 50,553 | N/A |



Note:

- On 18 January 2021, Mr. CHEN on behalf of the Company entered into the Investment Agreement with Union Space in respect of the Investment. On 28 January 2021, the Company paid HK\$80,000,000 to Union Space via a bank account maintained with China Construction Bank (Asia) Corporation Limited which held the IPO proceeds. For details, please refer to paragraphs 9 to 11 of the section headed "Summary of the Key Findings of the Independent Investigation - Findings of the Forensic Accountant - findings from the Investigation" in the Key Findings Announcement.
- Upon receipt of the net proceeds from the Global Offering, such funds became part of the Group's assets under its cash pooling management. As such, the funds were basically of the same nature as any other unrestricted bank balances of the Group.

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.

The Company has complied with all applicable code provisions set out in the CG Code throughout the Reporting Period except as disclosed below:

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 Reporting Period 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 (as defined in note 2 to the interim condensed consolidated financial statements). 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 of the Company (the “**Audit Committee**”) comprised of 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.

At the Board meeting held on 31 March 2022, Mr. Li Libing has been appointed as the chief executive officer of the Company.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain high standard of corporate governance practices of the Company.

As disclosed in the Company’s announcement dated 31 March 2021, on 24 March 2021, the then auditors of the Company, PricewaterhouseCoopers (“**PwC**”), informed the Board and the Audit Committee, inter alia, that they required additional information and documentation on the Transactions (as defined in note 2 to the interim condensed consolidated financial statements) during the course of preparing the consolidation financial statements for the year ended 31 December 2020. The Board then formed the Investigation Committee (as defined in note 2 to the interim condensed consolidated financial statements) to assist in carrying out the Investigation (as defined in note 2 to the interim condensed consolidated financial statements).

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 Reporting Period (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.



OTHER INFORMATION

The Company had kept the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the progress of the aforesaid matters by announcements. Eventually, the 2020 Annual Results and 2021 Interim Results both dated 31 March 2022 were released and published on the websites of the Stock Exchange and the Company. 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 (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with the Directors, the Directors have confirmed that the required standards of the Model Code had been complied with throughout the Reporting Period.

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 to the interim condensed consolidated financial statements. Unless otherwise defined, capitalised terms used below shall have the same meanings as those defined in the Key Findings Announcement.

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 of the Company (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.



OTHER INFORMATION

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period and this interim report. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters.

In addition, the independent auditor of the Company, BDO Limited, has reviewed the unaudited interim financial information of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2021, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best of the knowledge of the Directors or chief executives of the Company, as at 30 June 2021, the persons (other than Directors or chief executives of the Company) who had interests or short positions in Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:



| Name of Shareholder | Nature of Interest | Number of Shares interested | Approximate percentage of the Company's issued share capital |
|--|--------------------------------------|-----------------------------|--|
| Huitang Zhihe (Hong Kong) Co., Limited (惠唐鄧和(香港)有限公司) ("HK Huitang Zhihe") ⁽²⁾ | Beneficial owner | 431,904,000(L) | 35.99% |
| Shanghai Huitang Zhihe Investment Co., Ltd. (上海惠唐鄧和投資有限公司) ("SH Huitang Zhihe") ⁽²⁾ | Interest in a controlled corporation | 431,904,000(L) | 35.99% |
| HBIS Company Limited (河鋼股份有限公司) ("HBIS Company") ⁽²⁾ | Interest in a controlled corporation | 431,904,000(L) | 35.99% |
| Handan Iron and Steel Group Co., Ltd. (邯鄲鋼鐵集團有限責任公司) ("HBIS Hansteel") ⁽²⁾ | Interest in a controlled corporation | 431,904,000(L) | 35.99% |
| HBIS (河鋼集團有限公司) ⁽²⁾ | Interest in a controlled corporation | 431,904,000(L) | 35.99% |
| China Gas Investors Ltd. ("CGI") ⁽³⁾ | Beneficial owner | 468,096,000(L) | 39.01% |
| Huang He Investment Limited ("Huang He") ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| China Infrastructure Partners, L.P. ("China Infrastructure") ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| CITP GPI Ltd. ("CITP GP") ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| BOCI Investment Limited ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| BOC International Holdings Limited ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Bank of China Limited ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Springleaf Investments Pte. Ltd. ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Anderson Investments Pte. Ltd. ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Thomson Capital Pte. Ltd. ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Tembusu Capital Pte. Ltd. ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |
| Temasek Holdings (Private) Limited ⁽³⁾ | Interest in a controlled corporation | 468,096,000(L) | 39.01% |



OTHER INFORMATION

Notes:

- (1) The letter "L" denotes the Shareholder's long position in the Shares.
- (2) HK Huitang Zhihe is wholly-owned by SH Huitang Zhihe which in turn is wholly-owned by HBIS Company, which in turn is directly and indirectly owned by Chengde Iron and Steel Group Co., Ltd. (承德鋼鐵集團有限公司) ("HBIS Chengsteel"), HBIS Hansteel and HBIS Tangsteel as to approximately 4.17%, 39.73% and 18.32%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel are owned by HBIS as to 100%, 100% and 92.99%, respectively. As such, HBIS through its subsidiaries together indirectly holds approximately 62.22% equity interest in HBIS Company. By virtue of the SFO, each of SH Huitang Zhihe, HBIS Company, HBIS Hansteel and HBIS is deemed to be interested in the same number of Shares held by HK Huitang Zhihe.
- (3) CGI is owned as to 80% and 20% by Huang He and OxyChina Limited ("OxyChina") respectively. Huang He is wholly-owned by China Infrastructure, whose general partner is CITP GP, which is held as to:
 - (i) 60% by BOCI Investment Limited, which is wholly-owned by BOC International Holdings Limited, which is in turn wholly-owned by Bank of China Limited whose shares are listed and traded on the Main Board (stock code:3988) and the Shanghai Stock Exchange (stock code: 601988); and
 - (ii) 40% by Springleaf Investments Pte. Ltd., which is wholly-owned by Anderson Investments Pte. Ltd., which is in turn wholly-owned by Thomson Capital Pte. Ltd. Thomson Capital Pte. Ltd. is wholly-owned by Tembusu Capital Pte. Ltd., which is in turn wholly-owned by Temasek Holdings (Private) Limited.

As at the date of this report, (a) each of the 4 shareholders of OxyChina charged all of the shares registered in their respective own name in OxyChina; and (b) OxyChina charged all of its shares in CGI registered in its name in favour of Eastern Sky Limited as security agent nominated by Huang He pursuant to the charges dated 25 July 2011. For details, please refer to the section headed "History, Reorganisation and Corporate Structure — Overview" in the Prospectus.

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

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any person (other than Directors or chief executives of the Company) that they had interests or short positions in Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme conditionally by the written resolutions of its then Shareholders on 17 June 2020 (the "**Date of Adoption**") and such scheme is effective for a period of 10 years commencing from 29 December 2020 (the "**Listing Date**"). The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The principal terms of the Share Option Scheme are summarised as follows:

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimise their future contributions to 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 (as defined in paragraph 2 below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its sole discretion, invite any director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of 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 (together, the "**Eligible Persons**" and each an "**Eligible Person**").

The maximum number of Shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 30% of the Shares in issue at any time. The maximum number of Shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (i.e. not exceeding 120,000,000 Shares) (the “**Scheme Mandate Limit**”)

The maximum number of Shares issued and to be issued upon exercise of the share options granted to any one Eligible Person (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

A share option may be exercised at any time during the option period. An offer of the grant of a share option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option. Once such acceptance is made, the share option shall be deemed to have been granted and to have taken effect from the offer date.

The subscription price in respect of any particular share option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant share option (and shall be stated in the letter containing the offer of the grant of the share option), but the subscription price shall be the highest of: (a) the nominal value of Share; (b) the closing price of Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; and (c) the average of the closing prices of Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the offer date. The subscription price shall also be subject to adjustment in accordance with the reorganisation of capital structure.

As at the date of this interim report, the total number of Shares available for issue under the Share Option Scheme was 120,000,000, representing 10% of the issued Shares of the Company.

No options was granted by the Company under the Share Option Scheme since the Date of Adoption. The Company did not have any outstanding share options as at 30 June 2021 and up to the date of this report.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO., LTD.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 22 to 60 which comprise the interim condensed consolidated statement of financial position of China Gas Industry Investment Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2021 and the related interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with IAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as explained in the following paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS FOR QUALIFIED CONCLUSION

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 in the consolidated financial statements for the year ended 31 December 2020 and in the interim condensed consolidated financial statements for the six-month period ended 30 June 2021.

The loan receivables (“Loan Receivables”) were measured at amortised cost less allowance for expected credit loss. As at 31 December 2020 and 30 June 2021, repayment of the principal balances and interests thereon under the Loan Agreements were overdue. 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. Accordingly, a loss allowance of RMB118,000,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020 and disclosed in note 15 to the interim condensed consolidated financial statements. After offsetting the loss allowance, the carrying amount of the loan receivables became RMB Nil as at 31 December 2020 and 30 June 2021.

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 principal amount stipulated in the Loan Note Agreement (hereinafter referred to as the “Note Investment”) to Company D. The Company accounted for the transfers of funds to the Company D as Note Investment in the interim condensed consolidated financial statements for the six-month period ended 30 June 2021.

The Note Investment was measured at amortised cost less allowance for expected credit loss. As at 30 June 2021, the principal amounts were not overdue and interest of approximately HK\$900,000 were received by the Company. Repayment of the principal balance and interests thereon under the Loan Note Agreement outstanding up to the date of this report. The Board determined that full loss allowance of the principal balance of RMB66,400,000 in aggregate should be provided for the six-months period ended 30 June 2021. Accordingly, a loss allowance of RMB66,400,000 was recognised in the interim condensed consolidated statement of comprehensive income and disclosed in note 16 to the interim condensed consolidated financial statements. After offsetting the loss allowance, the carrying amount of the Note Investment became RMB Nil as at 30 June 2021.

During our audit for consolidated financial statements for the year ended 31 December 2020 and the review of the interim condensed financial statements for the six-month period ended 30 June 2021, we noted matters relating to the Loan Transactions and the Loan 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 who was also an executive director of the Company (the “Chairman”). According to the Company’s internal control policies and procedures; due to the amounts of the Loan Transactions and the Note Investment, the decisions to enter into the Loan Transactions and the Note Investment should have been approved by the Board;



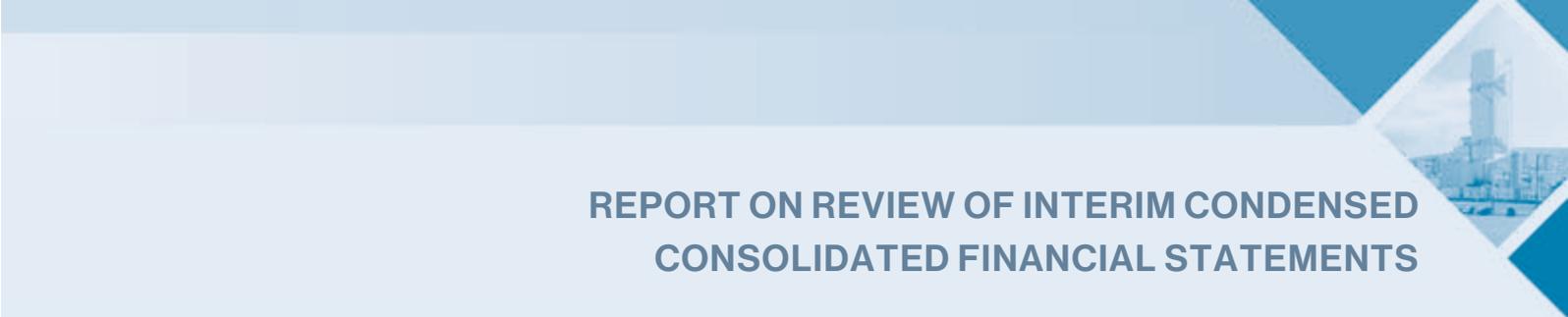
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (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 Note Investment;
- (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 designed 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 Note Investment; 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 for the 2020 Consolidated Financial Statements and the review for interim condensed consolidated financial statements for the six-month period ended 30 June 2021 relating to the Loan Transactions and the Note Investment, we were 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 the Note Investment as the Group's Note Investment in the interim condensed 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 recognised as Note Investment in the interim condensed 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 review procedures that we could perform to satisfy ourselves on the above concerns.

We modified our audit opinion on the Group's consolidated financial statements for the year ended 31 December 2020 due to limitations on scope limitation on our work to ascertain the nature of the Loan Transactions and the Note Investment. Accordingly, we were unable to conclude whether the Loan Transactions and the Note Investment were properly accounted for in the consolidated financial statements, and the consolidated financial statements for the year ended 31 December 2020 are free from material misstatement. Any adjustments that might be found necessary would have a consequential impact on consolidated financial statements for the year ended 31 December 2020. Our review conclusion on the Company's interim condensed consolidated financial statements for six-month period ended 30 June 2021 is also modified because of the effect of the possible adjustment and the related 2020 figures in the interim condensed consolidated financial statements may not be comparable.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED CONCLUSION

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Amy Yau Shuk Yuen

Practising Certificate Number P06095

Hong Kong, 31 March 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021



| | Notes | Six months ended 30 June | |
|---|-------|----------------------------|----------------------------|
| | | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Revenues | 4 | 590,363,328 | 597,731,673 |
| Cost of revenues | 8 | (478,686,859) | (457,204,430) |
| Gross profit | | 111,676,469 | 140,527,243 |
| Selling and marketing expenses | 8 | (902,540) | (757,259) |
| Administrative expenses | 8 | (35,816,363) | (19,855,496) |
| Credit loss allowance for note investment | 8 | (66,400,000) | — |
| Research and development expenses | 8 | (17,806,274) | (24,690,066) |
| Other income | 5 | 9,904,487 | 1,577,933 |
| Other losses, net | 6 | (7,477,428) | (834,219) |
| Operating (losses)/profit | | (6,821,649) | 95,968,136 |
| Finance income | 7 | 777,424 | 357,755 |
| Finance costs | 7 | (14,326,796) | (10,628,222) |
| Finance costs, net | | (13,549,372) | (10,270,467) |
| (Loss)/profit before income tax | | (20,371,021) | 85,697,669 |
| Income tax expense | 9 | (19,211,086) | (20,972,276) |
| (Loss)/profit for the period attributable to owners of the Company | | (39,582,107) | 64,725,393 |
| Other comprehensive income, net of tax | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Currency translation differences | | 278,700 | 1,072,772 |
| Total comprehensive income for the period | | (39,303,407) | 65,798,165 |
| Total comprehensive income attributable to owners of the Company | | (39,303,407) | 65,798,165 |
| (Loss)/earnings per share – Basic and Diluted | 11 | (0.03) | (Restated) 0.07 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021



| | <i>Notes</i> | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 12 | 1,563,285,288 | 1,495,555,815 |
| Right-of-use assets | 13 | 47,891,638 | 49,471,040 |
| Intangible assets | | 575,635 | 881,921 |
| Deferred tax assets | | 2,191,145 | 2,345,208 |
| Other assets | | 3,838,929 | 45,998,945 |
| | | 1,617,782,635 | 1,594,252,929 |
| Current assets | | | |
| Inventories | | 12,755,347 | 9,882,628 |
| Trade receivables | 14 | 311,312,853 | 277,926,097 |
| Loan receivables | 15 | – | – |
| Note investment | 16 | – | – |
| Deposits, prepayments and other receivables | 17 | 66,700,745 | 83,999,393 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | 39,579,596 | 46,823,190 |
| Cash and cash equivalents | 18 | 349,831,301 | 511,834,079 |
| | | 780,179,842 | 930,465,387 |
| Current liabilities | | | |
| Trade and other payables | 19 | 449,128,839 | 576,584,216 |
| Contract liabilities | 4 | 7,588,935 | 6,313,165 |
| Borrowings | 20 | 231,535,000 | 323,690,000 |
| Lease liabilities | 13 | 10,086,887 | 9,540,023 |
| Income tax payable | | 5,238,882 | 4,403,278 |
| | | 703,578,543 | 920,530,682 |
| Net current assets | | 76,601,299 | 9,934,705 |
| Total assets less current liabilities | | 1,694,383,934 | 1,604,187,634 |



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021



| | <i>Notes</i> | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--------------|--|--|
| Non-current liabilities | | | |
| Borrowings | 20 | 394,796,301 | 270,806,401 |
| Lease liabilities | 13 | 4,019,799 | 3,763,709 |
| Deferred tax liabilities | | 16,377,861 | 11,124,144 |
| | | 415,193,961 | 285,694,254 |
| NET ASSETS | | | |
| | | 1,279,189,973 | 1,318,493,380 |
| Capital and reserves | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 21 | 836,016 | 836,016 |
| Other reserves | | 1,320,651,562 | 1,320,361,813 |
| Accumulated losses | | (42,297,605) | (2,704,449) |
| TOTAL EQUITY | | | |
| | | 1,279,189,973 | 1,318,493,380 |



The interim condensed consolidated financial statements were approved and authorised for issued by Board of Directors on 31 March 2022 and are signed on its behalf by:

Yao Li
Director

Gao Guimin
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021



| | Reserves | | | | | | Total equity |
|--|---------------|---------------|---------------------------|----------------------------------|------------|---|---------------|
| | Share capital | Share premium | Statutory surplus Reserve | Currency translation differences | Others | (Accumulated losses)/ retained earnings | |
| | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Balance at 1 January 2021 (Audited) | 836,016 | 1,144,391,968 | 132,003,720 | 10,537,872 | 33,428,253 | (2,704,449) | 1,318,493,380 |
| Loss for the period | - | - | - | - | - | (39,582,107) | (39,582,107) |
| <i>Other comprehensive income</i> | | | | | | | |
| - Currency translation difference | - | - | - | 278,700 | - | - | 278,700 |
| Total comprehensive income | - | - | - | 278,700 | - | (39,582,107) | (39,303,407) |
| <i>Transaction with owners in their capacity as owners</i> | | | | | | | |
| Appropriation to statutory surplus reserves | - | - | 11,049 | - | - | (11,049) | - |
| Total transactions with owners | - | - | 11,049 | - | - | (11,049) | - |
| Balance at 30 June 2021 (Unaudited) | 836,016 | 1,144,391,968 | 132,014,769 | 10,816,572 | 33,428,253 | (42,297,605) | 1,279,189,973 |
| Balance at 1 January 2020 (Audited) | 76,298 | 837,793,627 | 114,319,979 | 7,995,606 | 33,428,253 | 310,419,643 | 1,304,033,406 |
| Profit for the period | - | - | - | - | - | 64,725,393 | 64,725,393 |
| <i>Other comprehensive income</i> | | | | | | | |
| - Currency translation difference | - | - | - | 1,072,772 | - | - | 1,072,772 |
| Total comprehensive income | - | - | - | 1,072,772 | - | 64,725,393 | 65,798,165 |
| Balance at 30 June 2020 (Unaudited) | 76,298 | 837,793,627 | 114,319,979 | 9,068,378 | 33,428,253 | 375,145,036 | 1,369,831,571 |



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021



| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Net cash generated from operating activities | 88,250,704 | 103,315,165 |
| Net cash used in investing activities | (132,722,796) | (61,945,215) |
| Net cash (used in)/generated from financing activities | (117,251,986) | 177,082,568 |
| Net (decrease)/increase in cash and cash equivalents | (161,724,078) | 218,452,518 |
| Cash and cash equivalents at beginning of period | 511,834,079 | 139,790,488 |
| Effect of foreign exchange rate changes | (278,700) | 759,530 |
| Cash and cash equivalents at end of period | 349,831,301 | 359,002,536 |
| Analysis of balances of cash and cash equivalents | | |
| Bank and cash balances as stated in the interim condensed consolidated statement of financial position | 349,831,301 | 359,002,536 |



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



1. GENERAL INFORMATION

China Gas Industry Investment Holdings Co., Ltd. (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 principal activity of the Company is investment holding. The Company and its subsidiaries (together “the Group”) are engaged in the production and sales of industrial gases in the PRC.

The interim condensed consolidated financial information comprises the interim condensed statement of financial position as at 30 June 2021, the interim condensed consolidated statement of comprehensive income for six months then ended, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Information have been reviewed, not audited.

2. BASIS OF PREPARATION

The Interim Financial Information of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the Interim Financial Information for the six months ended 30 June 2021 are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for the adoption of the new and amended International Financial Reporting Standards (“IFRSs”) as disclosed in note 3 below.

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the Interim Financial Information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

The Interim Financial Information do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation

On 24 March 2021, the board of directors of the Company (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 the sub-heading “Summary of key finds of the Independent Investigation” in this note as Transaction 4 and also in note 16) during the course of the consolidation financial statements for the year ended 31 December 2020. According to the resignation letter of 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.

1. 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 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 following:

- (i) obtaining and reviewing documents and correspondence relating to the Transactions (including but not limited to the Loan Agreement 1, Loan Agreement 2 and Loan Agreement 3 and Note Investment (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;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

1. Scope of the Investigation and the Expanded Investigation *(Continued)*

- (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 the relevant representative 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, have 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 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:



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

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 Group 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 note (“Investment”) issued by Company D with a fixed return of 4.5% per annum, due on 17 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

II. Summary of the Key Findings of the Investigation *(Continued)*

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 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 RMB 53,522,000 and RMB 14,778,000 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 aggregate 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 the 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

II. Summary of the Key Findings of the Investigation *(Continued)*

- (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 the making of the Loans has 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 aggregate sum of US\$18,000,000 at the IPO is the sole director and sole shareholder of Company A, the sole director and sole shareholder 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 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 of the Company 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

II. Summary of the Key Findings of the Investigation *(Continued)*

- (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 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. 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 Expended 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 certain expenses paid by Xijie'ai for of 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 in the British Virgin Islands and is 70% owned by Mr. Chen, 10% owned by each of Mr Bai and 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 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

Prior year investigation *(Continued)*

II. Summary of the Key Findings of the Investigation *(Continued)*

Findings of the Expended Investigation *(Continued)*

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 note 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 Agreements, 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 by themselves, the Board considered that there was management override by Mr. Chen and Mr Bai.

Although the Company had continuously demanded 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 the consolidated statement of comprehensive income during the year ended 31 December 2020.

On 17 December 2021 when the Investment became matured, the Company did not receive any repayment. The Company has not received any repayment since then. Although the Company had continuously demanded for settlement with the counter party, the Company had not received any repayment up to date. After taking into account of the recoverability of the balances, the Group has considered it is unlikely to recover the outstanding Investment balance of RMB66,400,000 and hence an impairment provision on the Note Investment of RMB66,400,000 has been made and recorded it separately as a line item on the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2, which is issued by the IASB to the Interim Financial Information for the current accounting period.

The Group has not early applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

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

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on the Interim Financial Information as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in production and supply of industrial gas in the PRC. The Group is also engaged in production and supply of liquefied natural gas and related gas transmission service. The Group's board of directors has been identified as the chief operating decision-maker (“CODM”) who considers the business from the product perspective.

The Group's business activities, for which discrete financial information are available, regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that it has two reportable segments as follows:

- Supply of industrial gas
- Liquefied natural gas (“LNG”) and gas transmission service

CODM assesses the performance of the reportable segments based on their revenue and gross profit. No analysis of the reportable segments' assets and liabilities is regularly provided to the CODM for review.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

- (i) The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2021 and 2020 are as follows:

| | Six months ended 30 June 2021 (Unaudited) | | | |
|-----------------|---|--------------------------------------|-----------------|-------------|
| | Supply of industrial gas (pipeline and liquefied) RMB | LNG and gas transmission service RMB | Elimination RMB | Group RMB |
| Segment revenue | 529,582,706 | 67,759,954 | (6,979,332) | 590,363,328 |
| Gross profit | 108,635,546 | 3,040,923 | – | 111,676,469 |

| | Six months ended 30 June 2020 (Unaudited) | | | |
|-----------------|---|--------------------------------------|-----------------|-------------|
| | Supply of industrial gas (pipeline and liquefied) RMB | LNG and gas transmission service RMB | Elimination RMB | Group RMB |
| Segment revenue | 567,045,420 | 35,395,497 | (4,709,244) | 597,731,673 |
| Gross profit | 140,388,970 | 138,273 | – | 140,527,243 |

(ii) Geographic information

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

(iii) Information about major customers

Revenue from customers contributing over 10% or more of the Group's revenue is as follow:

| | Six months ended 30 June | |
|------------|--------------------------|------|
| | 2021 | 2020 |
| Customer A | 83% | 88% |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iv) 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 six months ended 30 June 2021 and 2020 is disclosed as follows:

| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Recognised at a point in time | | |
| Supply of pipeline industrial gas | 419,106,857 | 452,122,005 |
| Supply of liquefied industrial gas | 95,149,018 | 101,687,375 |
| Supply of LNG and gas transmission service | 67,759,954 | 35,395,497 |
| Others | 8,347,499 | 8,526,796 |
| | 590,363,328 | 597,731,673 |

(v) Contract liabilities

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

The Group has recognised the following contract liabilities:

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|--------------------------------------|--|--|
| | <i>Contract liabilities arising from:</i> | |
| – Supply of liquefied industrial gas | 5,449,185 | 4,607,004 |
| – Supply of LNG | 887,277 | 717,250 |
| – Others | 1,252,473 | 988,911 |
| | 7,588,935 | 6,313,165 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(v) Contract liabilities *(Continued)*

Revenue recognised in relation to contract liabilities

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

| | Six months ended 30 June | |
|------------------------------------|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Supply of liquefied industrial gas | 1,138,282 | 1,681,132 |
| Supply of LNG | 316,403 | – |
| Others | 331,696 | 1,108,940 |
| | 1,786,381 | 2,790,072 |

5. OTHER INCOME

| | Six months ended 30 June | |
|--------------------------|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Government grants (note) | 6,001,600 | 1,577,933 |
| Others | 3,902,887 | – |
| | 9,904,487 | 1,577,933 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. OTHER LOSSES, NET

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2021 | 2020 |
| | RMB | RMB |
| | (Unaudited) | (Unaudited) |
| Net foreign exchange losses | 6,853,943 | 475,159 |
| Losses on disposal of property, plant and equipment | – | 131,286 |
| Others | 623,485 | 227,774 |
| | 7,477,428 | 834,219 |

7. FINANCE COSTS, NET

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|---------------------|
| | 2021 | 2020 |
| | RMB | RMB |
| | (Unaudited) | (Unaudited) |
| <i>Finance income:</i> | | |
| Interest income from bank deposits | 777,424 | 357,755 |
| <i>Finance costs:</i> | | |
| Interest expenses on bank borrowings | (15,232,547) | (9,910,500) |
| Interest expense on lease liabilities | (174,307) | (717,722) |
| Add: amount capitalized | 1,080,058 | – |
| Finance costs expensed | (14,326,796) | (10,628,222) |
| Finance costs, net | (13,549,372) | (10,270,467) |

Finance costs have been capitalized on qualifying assets at average interest rates of 4.99% per annum for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. EXPENSES BY NATURE

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2021 | 2020 |
| | RMB (Unaudited) | RMB (Unaudited) |
| Auditor's remuneration | 1,000,000 | – |
| Consumption of utilities | 369,718,499 | 373,485,649 |
| Consumption of raw materials and low value consumables | 39,095,695 | 11,936,888 |
| Changes in inventories of finished goods | (3,324,229) | 2,012,689 |
| Depreciation of property, plant and equipment | 55,681,096 | 48,280,857 |
| Amortisation of right-of-use assets | 2,542,932 | 2,019,275 |
| Employee benefits expenses | 23,003,732 | 20,626,126 |
| Freight expenses | 6,610,107 | 9,053,267 |
| Equipment maintenance expenses | 9,884,545 | 10,244,151 |
| Operating service charges | 6,952,812 | 6,954,736 |
| Tax surcharges | 3,253,616 | 4,010,348 |
| Outsourcing labour costs | 1,157,431 | 974,618 |
| Amortisation of intangible assets | 306,286 | 306,287 |
| Professional service fee | 12,353,965 | 119,260 |
| Listing expenses | – | 10,224,198 |
| Credit loss allowance for note investment | 66,400,000 | – |
| Others | 4,975,549 | 2,258,902 |
| | 599,612,036 | 502,507,251 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE

The tax on the Group's (loss)/profit before income 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:

| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| Current tax | | |
| – PRC Corporate Income Tax | 13,803,306 | 12,754,260 |
| Deferred tax | | |
| – Charged to profit or loss for the period | 5,407,780 | 8,218,016 |
| Income tax expense | 19,211,086 | 20,972,276 |

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 2019, and was entitled to a preferential income 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. DIVIDENDS

The board of directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2021(2020: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| (Loss)/Earnings | | |
| (Loss)/profit for the period attributable to owners of the Company | (39,582,107) | 64,725,393 |

| | Six months ended 30 June | |
|--|-------------------------------|---|
| | 2021 Number (Unaudited) | 2020 (Restated) Number (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares | 1,200,000,000 | 900,000,000 |

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 period.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as there was no dilutive events existed during the six months ended 30 June 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment including construction in progress with an aggregate cost of amounting to RMB123,411,000 (six months ended 30 June 2020: RMB65,104,000). No property, plant and equipment (six months ended 30 June 2020: RMB150,000) were disposed of during the six months ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the six months ended 30 June 2021, the Group entered into a new lease agreement for the use of office premises for two years. The Group is required to make fixed monthly payment during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liabilities amounting to RMB963,530 and RMB963,530 respectively.

| | Leased properties RMB |
|---|----------------------------------|
| As at 1 January 2020 | 15,004,886 |
| Interest expenses | 146,380 |
| Other non-cash movement | (1,681,430) |
| Lease payments | (166,104) |
| As at 31 December 2020 and 1 January 2021 (Audited) | 13,303,732 |
| Additions | 963,530 |
| Interest expenses | 174,307 |
| Lease payments | (334,883) |
| As at 30 June 2021 (Unaudited) | 14,106,686 |

14. TRADE RECEIVABLES

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|-------------------------------------|---|--|
| Trade receivables | 311,312,853 | 277,926,097 |
| Less: loss allowance for impairment | - | - |
| | 311,312,853 | 277,926,097 |

Notes:

As at 30 June 2021 and 31 December 2020, fair values of the trade receivables of the Group approximated their carrying amounts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE RECEIVABLES *(Continued)*

The aging analysis of trade receivables, based on invoice dates, was as follow:

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|--------------------|---|---|
| Up to 6 months | 272,244,095 | 252,713,343 |
| 6 months to 1 year | 36,414,273 | 24,765,344 |
| 1 to 2 years | 2,493,108 | 285,952 |
| Over 2 years | 161,377 | 161,458 |
| | 311,312,853 | 277,926,097 |

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.

As at 30 June 2021 and 31 December 2020, the carrying amount of the Group's gross trade receivables are denominated in RMB.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. LOANS RECEIVABLES

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| Unsecured and non-guaranteed, fixed-rate loan receivables | 118,000,000 | 118,000,000 |
| Less: allowance for impairment | (118,000,000) | (118,000,000) |
| | - | - |

During the year 2020, the Group has entered into three loan agreements with the total 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 and was outstanding as at 30 June 2021 and 31 December 2020.
- (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 and was outstanding as at 30 June 2021 and 31 December 2020.
- (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 and was outstanding as at 30 June 2021 and 31 December 2020.

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. NOTE INVESTMENT

On 18 January 2021, the Group entered into the investment agreement with Company D to subscribe for a secure loan note issued by Company D with the gross proceeds of HKD80,000,000 (Equivalent to RMB66,400,000) (the "Note"). Pursuant to the investment agreement, Company D shall repay the principal amount outstanding together with all interest accrued thereon up to and including the date of repayment on 17 December 2021. Fixed return of the Note is 4.5% per annum. As securities for the Note, Company D grants a charge on its receivables in favour of the Group.

After taking into account of the possibility of recoverability, the Group recorded an impairment loss of RMB66,400,000 separately as a line item on the interim condensed consolidated statement of comprehensive income which represent the principal of the Note.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| Value-added tax ("VAT") recoverable | 56,639,248 | 78,387,498 |
| Receivables due from related parties (Note 23(c)(ii)) | 1,338,002 | 1,308,451 |
| Utilities and other prepayments | 5,549,446 | 1,167,760 |
| Deposits | 2,456,540 | 2,410,920 |
| Others | 717,509 | 724,764 |
| | 66,700,745 | 83,999,393 |

18. CASH AND CASH EQUIVALENTS

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---------------|--|--|
| Cash at banks | 349,831,301 | 511,834,079 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. TRADE AND OTHER PAYABLES

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| Trade payables | 197,536,901 | 179,203,227 |
| Payables for construction and equipment | 117,097,737 | 108,792,000 |
| Dividend payable | 100,671,500 | 249,443,000 |
| Payables for operating service fee | 6,834,000 | – |
| Taxes payable | 6,455,757 | 1,594,138 |
| Salaries and bonus payable | 3,293,906 | 2,238,146 |
| Payables for professional service fee | 8,450,000 | 26,179,218 |
| Deposits | 1,767,319 | 1,512,219 |
| Interests payable | 336,609 | 1,001,728 |
| Others | 6,685,110 | 6,620,540 |
| | 449,128,839 | 576,584,216 |

An aging analysis of trade payables of the Group, based on invoice dates, was as follows:

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|------------------|--|--|
| Less than 1 year | 164,098,731 | 142,870,758 |
| 1 to 2 years | 17,469,568 | 16,615,342 |
| 2 to 3 years | 13,155,369 | 18,020,112 |
| Over 3 years | 2,813,233 | 1,697,015 |
| | 197,536,901 | 179,203,227 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. BORROWINGS

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| Non-current: | | |
| Long-term borrowings due after one year (note i) | 394,796,301 | 270,806,401 |
| Current: | | |
| Long-term borrowings due within one year (note i) | 33,535,000 | 174,690,000 |
| Short-term borrowings (note ii) | 198,000,000 | 149,000,000 |
| | 626,331,301 | 594,496,401 |

Notes:

- (i) In December 2018, the Group entered into a three-year loan of RMB190,000,000 with an annual interest rate of 5.23% facility from Zunhua Rural Credit Cooperatives Association. As at 30 June 2021, all the loans were repaid. The borrowings are unsecured and unguaranteed.

In December 2019, the Group entered into a five-year loan facility with an aggregate principal amount not exceeding RMB560,000,000 from Bank of Communication. Borrowings drawn down from the loan facility are collateralized by the fixed assets of Zhongqi Investment (Tangshan) Gases Co., Ltd, a subsidiary of the Group, and shall be used in the construction of the industrial gas production plant of Zhongqi Investment (Tangshan) Gases Co., Ltd. In September 2020 and February 2021, five-year loans of RMB21,496,401 and RMB26,179,900 with an annual interest rate of 4.9875% were drawn down from the facility respectively. As at 30 June 2021 and 31 December 2020, RMB6,535,000 and RMB2,690,000 was due within one year according to repayment schedule. The net book value of the pledged assets was RMB17,137,250 and RMB17,317,012 as at 30 June 2021 and 31 December 2020 respectively.

In April 2020, the Group entered into three three-year loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Cangzhou. Three three-year loans of RMB100,000,000 with an annual interest rate of 5.13% were drawn down from the facility in March 2020, June 2020 and October 2020 respectively. As at 30 June 2021 and 31 December 2020, RMB27,000,000 and RMB42,000,000 was due within one year according to repayment schedule. The borrowings are unsecured and unguaranteed.

In June 2021, the Group entered into a three-year loan of RMB110,000,000 with an annual interest rate 5.00% from Hebei Tangshan Rural Commercial Bank. The borrowing is unsecured and unguaranteed.

- (ii) In January 2019, the Group entered into a two-year revolving loan facility with an aggregate principal amount not exceeding RMB100,000,000 from Bank of Communications. In June 2020, the loan facility has been extended to December 2022. As at 30 June 2021 and 31 December 2020, short-term bank borrowings of RMB20,000,000 with floating rate based on the LPR along with RMB80,000,000 with a fixed rate of 4.568%, and short-term bank borrowings of RMB20,000,000 with floating rate based on the LPR along with RMB40,000,000 with a fixed rate of 4.785%, RMB40,000,000 with a fixed rate of 4.568% per annum were drawn down from a two-year revolving loan facility from Bank of Communications respectively. The borrowings are unsecured and unguaranteed.

In September 2020, the Group entered into a one-year revolving loan agreement with an aggregate principal amount RMB49,000,000 from Industrial and Commercial Bank of China. As at 30 June 2021 and 31 December 2020, short-term bank borrowings of RMB49,000,000 with annual interest rate 4.35% from such revolving loan agreement. The borrowing is unsecured and unguaranteed.

In January 2021, the Group entered into a one-year revolving loan agreement with an aggregate principal amount RMB49,000,000 from Industrial and Commercial Bank of China. As at 30 June 2021, short-term bank borrowings of RMB49,000,000 with annual interest rate 4.35% from such revolving loan agreement. The borrowing is unsecured and unguaranteed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



21. SHARE CAPITAL

| | Number of share | Amount |
|--|--------------------|---|
| Authorised | | |
| Ordinary shares of USD0.0001 each: | | |
| At 31 December 2020 (audited) and 30 June 2021 (unaudited) | 2,000,000,000 | USD200,000 (Equivalent to RMB1,388,691) |
| Ordinary shares, issued and fully paid: | | |
| At 31 December 2020 (audited) and 30 June 2021 (unaudited) | 1,200,000,000 | RMB836,016 |

22. COMMITMENTS

The Group had the following capital commitments:

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|----------------------------------|--|--|
| Contracted but not provided for: | | |
| – Property, plant and equipment | 67,415,627 | 184,272,661 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. RELATED PARTY TRANSACTIONS

The following companies are related parties of the Group that had balances and/or transactions with the Group.

(a) Names and relationships with related parties

| Name | Relationship |
|--|---------------------------------------|
| China Gas Investors Ltd. ("CGI") | Shareholder |
| Shanghai Huitang Zhihe Investment Co., Ltd. ("SH Huitang Zhihe") | Shareholder |
| HBIS Company Limited ("HBIS Company") | Parent company of SH Huitang Zhihe |
| Tangshan Iron and Steel Group Co., Ltd. ("HBIS Tangsteel") | Shareholder of HBIS Company |
| Tangshan Middle and Heavy Plate Co., Ltd. | Subsidiary of HBIS Company |
| Tangsteel Qinglong Furnace Charge Co., Ltd | Subsidiary of HBIS Company |
| Tangshan Stainless Steel Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Hebei Tangyin Iron and Steel Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Tangsteels Veolia (Tangshan) Water Co., Ltd. | Associate of HBIS Tangsteel |
| HBIS Tangsteel Meijin (Tangshan) Coal Chemical Co., Ltd. ("Tangshan Meijin") | Associate of HBIS Tangsteel |
| Tangshan Hongci Hospital | Associate of HBIS Tangsteel |
| Tangsteel International Engineering Technology Corp | Associate of HBIS Tangsteel |
| Tangshan Huitang Wulian Technology Co., Ltd. | Associate of HBIS Tangsteel |
| CGII (Shanghai) Investment Management Co., Ltd. | Subsidiary of an indirect shareholder |
| Tangshan Huitang New Business Co., Ltd. | Subsidiary of HBIS Tangsteel |
| Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation ("Tangshan Jinheng") | Subsidiary of HBIS Tangsteel |
| Tangshan Iron and Steel Group City Service Co., Ltd | Subsidiary of HBIS Tangsteel |
| Tangshan Jinheng Human Resource Management Co., Ltd | Subsidiary of Tangshan Jinheng |
| HBIS Laoting Iron and Steel Co., Ltd | Subsidiary of HBIS Group Co., Ltd |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties

(i) *Purchases of utilities, property, plant and equipment*

| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| HBIS Company Limited | 50,349,905 | 169,379,398 |
| Tangshan Stainless Steel Co., Ltd | 42,758,628 | 81,506,791 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 93,511,388 | 99,923,735 |
| Tangshan Meijin | 38,891,653 | 8,451,461 |
| Tangsteels Veolia (Tangshan) Water Co., Ltd. | 4,767,007 | 4,767,007 |
| HBIS Laoting Iron and Steel Co., Ltd | 167,700,407 | 879,438 |
| Tangshan Chuangyuan Fangda Electric Co., Ltd | – | 2,274,934 |
| | 397,978,988 | 367,182,764 |

(ii) *Sales of products*

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| HBIS Company Limited | 20,622,012 | 225,572,192 |
| Tangshan Stainless Steel Co., Ltd | 57,609,037 | 98,307,724 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 127,188,196 | 153,388,379 |
| Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd. | 25,658,324 | 8,976,625 |
| Tangshan Meijin | 2,783,052 | 2,713,030 |
| Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd. | 579,729 | 522,765 |
| Hebei Tangyin Iron and Steel Co., Ltd. | – | 2,211,815 |
| Tangshan Hongci Hospital | 112,257 | 79,699 |
| Tangshan Iron and Steel Group Co., Ltd. | 139,538 | 156,628 |
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | 11,217 | 24,115 |
| HBIS Laoting Iron and Steel Co., Ltd | 220,561,167 | 1,606,489 |
| Tangsteel Qinglong Furnace Charge Co., Ltd | – | 65,438 |
| | 455,264,529 | 493,624,899 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

(iii) Gas transmission and other services provided to related parties

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| HBIS Company Limited | 38,793,687 | 35,094,259 |
| Tangshan Iron and Steel Group Co., Ltd. | 79,646 | 95,575 |
| | 38,873,333 | 35,189,834 |

(iv) Receipt of services

| | Six months ended 30 June | |
|--|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| CGII (Shanghai) Investment Management Co., Ltd. | 3,750,000 | – |
| HBIS Company Limited | 3,084,000 | 3,417,000 |
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | 4,304,336 | – |
| Tangsteel International Engineering Technology Corp | – | 1,191,604 |
| Tangshan Huitang New Business Co., Ltd. | 106,805 | 101,694 |
| Tangshan Iron and Steel Group Co., Ltd. | 669,750 | 18,167 |
| Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation | 155,563 | 48,355 |
| Tangshan Jinheng Human Resource Management Co., Ltd | 464,447 | 337,773 |
| Tangshan Iron and Steel Group City Service Co., Ltd | – | 197,950 |
| | 12,534,901 | 5,312,543 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

(v) Provision of service

| | Six months ended 30 June | |
|--------------------------------------|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| HBIS Laoting Iron and Steel Co., Ltd | - | 301,239 |

(vi) Interest expenses on lease liabilities due to related parties

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| HBIS Company Limited | 134,701 | 682,371 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 6,091 | 13,900 |
| | 140,792 | 696,271 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

(i) Trade receivables

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| HBIS Company Limited | 90,778,500 | 127,013,583 |
| HBIS Laoting Iron and Steel Co., Ltd | 78,684,947 | 18,391,281 |
| Tangshan Meijin | 8,317,304 | 5,172,455 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 60,022,749 | 58,298,843 |
| Tangshan Stainless Steel Co., Ltd. | 27,060,178 | 22,934,401 |
| Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd. | 20,500,565 | 26,078,459 |
| Tangshan Iron and Steel Group Heavy Machinery and Equipment Co., Ltd. | 1,983,999 | 1,433,923 |
| Tangsteel Qinglong Furnace Charge Co., Ltd | 296,545 | 296,545 |
| Tangshan Iron and Steel Group Co., Ltd | 605,055 | 579,306 |
| Tangshan Hongci Hospital | - | 5,700 |
| | 288,249,842 | 260,204,496 |

(ii) Other receivables

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|--|--|--|
| Tangshan Iron and Steel Group Co., Ltd | 30,002 | 451 |
| Tangshan Meijin | 1,308,000 | 1,308,000 |
| | 1,338,002 | 1,308,451 |

Other receivables due from related parties are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



23. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

(iii) Contract liabilities

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | 4,130 | 4,305 |

(iv) Trade payables

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| HBIS Company Limited | 74,111,279 | 80,350,143 |
| Tangshan Meijin | 77,219,889 | 40,955,148 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 5,715,372 | 932,412 |
| Tangsteels Veolia (Tangshan) Water Co., Ltd. | 7,503,963 | 8,117,246 |
| Tangshan Huitang New Business Co., Ltd. | 611,551 | 490,861 |
| Tangshan Iron and Steel Group Co., Ltd | 652,024 | 1,081,514 |
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | 452,844 | 689,001 |
| Tangshan Iron and Steel Group Jinheng Enterprise Development Corporation | 106,173 | 106,173 |
| Tangshan Huitang Wulian Technology Co., Ltd. | 199,500 | - |
| | 166,572,595 | 132,722,498 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

(v) Other payables

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| CGI | 100,671,500 | 100,671,500 |
| HBIS Company Limited | 3,774,029 | 2,704,800 |
| Tangshan Chuangyuan Fangda Electric Co., Ltd. | 15,550,599 | 12,145,799 |
| Tangshan Iron and Steel Group Co., Ltd. | 1,013,351 | 1,013,351 |
| Tangshan Stainless Steel Co., Ltd. | 700 | 700 |
| Shanghai Huitang Zhihe Investment Co., Ltd. | – | 148,771,500 |
| CGII (Shanghai) Investment Management Co., Ltd. | 3,750,000 | – |
| Tangsteel International Engineering Technology Corp | 3,855,639 | 5,855,639 |
| | 128,615,818 | 271,163,289 |

(vi) Lease liabilities

| | As at 30 June 2021 RMB (Unaudited) | As at 31 December 2020 RMB (Audited) |
|---|--|--|
| HBIS Company Limited | 12,303,097 | 12,168,397 |
| Tangshan Middle and Heavy Plate Co., Ltd. | 260,010 | 253,918 |
| | 12,563,107 | 12,422,315 |

The balances which are trading in nature will be settled in accordance with respective normal commercial credit terms, and the balances of lease liabilities are expected to be settled according to the payment schedule prescribed in the lease contracts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel

| | Six months ended 30 June | |
|---|--------------------------|--------------------|
| | 2021 | 2020 |
| | RMB (Unaudited) | RMB (Unaudited) |
| Wages, salaries, bonuses | 1,460,190 | 973,595 |
| Housing funds, medical insurance and other social welfare contributions | 106,575 | 103,384 |
| Pension costs – defined contribution plans | 143,156 | 10,310 |
| | 1,709,921 | 1,087,289 |

24. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade receivables and prepayments, deposits and other assets and financial liabilities including trade and other payables, interest-bearing bank borrowings, and lease liabilities, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowings approximate their fair values as they are carried at interest rate close to market rate at each year end.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FAIR VALUE MEASUREMENT *(Continued)*

(a) Fair value hierarchy *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2021 and 31 December 2020:

| | Level 1 RMB | Level 2 RMB | Level 3 RMB | Total RMB |
|---|----------------|----------------|----------------|--------------|
| As at 30 June 2021 (Unaudited) | | | | |
| Financial assets at fair value through other comprehensive income | – | – | 39,579,596 | 39,579,596 |
| As at 31 December 2020 (Audited) | | | | |
| Financial assets at fair value through other comprehensive income | – | – | 46,823,190 | 46,823,190 |

The level 3 instruments include notes receivable. As these instruments are not trade in an active market, their fair values have been determined based on discounted cash flow using the expected return based on management judgement and estimates. Fair value of notes receivables are considered approximate to their carrying amount.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classification during the period/year.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments of financial assets at fair value through other comprehensive income for the six months ended 30 June 2021 and 2020:

| | Six months ended 30 June, | |
|------------------------------------|----------------------------|----------------------------|
| | 2021 RMB (Unaudited) | 2020 RMB (Unaudited) |
| As the beginning of the period | 46,823,190 | 51,316,794 |
| Acquisitions | 116,715,156 | 122,891,504 |
| Disposals | (123,958,750) | (111,027,290) |
| Change in fair value | – | – |
| As the end of the period | 39,579,596 | 63,181,008 |
| Net unrealised gain for the period | – | – |

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For the six months ended 30 June 2021

24. FAIR VALUE MEASUREMENT *(Continued)*

(c) Valuation process and techniques

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least one a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- a combination of observable and unobservable inputs, including discount rate etc..

There were no changes to valuation techniques during period.

| Description | As at | As at | Unobservable inputs | As at | As at | Relationship of unobservable inputs to fair value |
|------------------|-----------------|------------------|-----------------------------|--------------|------------------|--|
| | 30 June 2021 | 31 December 2020 | | 30 June 2021 | 31 December 2020 | |
| | RMB (Unaudited) | RMB (Audited) | | | | |
| Note receivables | 39,579,596 | 46,823,190 | Risk-adjusted discount rate | 3.00%-3.30% | 3.05%-3.33% | The higher the risk-adjusted discount rate, the lower the fair value |

Key assumptions used in the valuation of the fair value of notes receivables include risk-adjusted discount rate, if the risk-adjusted discount rate had decreased or increased by 3% with all other variables held constant, the fair value of notes receivables would have been increased or decreased by approximately RMB234,608 or RMB234,608 and RMB489,858 or RMB479,005.



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25. 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 on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of 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 six-month ended 30 June 2021, no option was granted by the Company under the Share Option Scheme. The Company did not have any outstanding share options as at 30 June 2021.

26. EVENTS AFTER THE REPORTING PERIOD

As of the approval date on these financial statements, the Group had no significant events after reporting period which need to be disclosed.