

4 May 2026

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

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES IN  
CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 4 May 2026 jointly issued by the Company and the Offeror to the Offer Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Board was informed by the Offeror that on 28 January 2026, the Vendor and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, 468,096,000 Sale Shares, representing approximately 39.01% of the existing issued share capital of the Company as at the date of the Joint Announcement. The total Consideration for the Sale Shares was US\$30,100,000.

The Share Purchase Completion took place on 10 February 2026. The Consideration was paid by the Offeror upon the Share Purchase Completion from its internal resources.

Following the Share Purchase Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in a total of 468,096,000 Shares, representing approximately 39.01% of the issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with any of them).

On 14 January 2026, the Vendor as the assignor entered into the Deed of Assignment with the Offeror as the assignee for the assignment of Receivables to the Offeror in the amount of RMB50,671,500.

The Receivables were the dividends owed by the Company to the Vendor. Having entered into the Deed of Assignment, the Offeror paid to the Vendor an amount equivalent to the Receivables and consequently became entitled to claim the Receivable from the Company.

The assignment of Receivables constitutes a special deal under Rule 25 of the Takeovers Code. The Offeror will extend the special benefit under the Deed of Assignment to Offer Shareholders by paying an additional Offer price adjustment equivalent to the special benefit of RMB50,671,500 under the Deed of Assignment at an exchange rate of HK\$1.134 to RMB1 quoted by the People's Bank of China on the date of the Joint Announcement divided by 468,096,000 Sale Shares, which will form part of the Offer Price.

First Shanghai, for and on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer to acquire all the Offer Shares:

**For each Offer Share . . . . . HK\$0.626 in cash**

The Offer Price of HK\$0.626 per Offer Share is the sum of the Consideration under the Share Purchase Agreement and the special benefit of RMB50,671,500 under the Deed of Assignment at relevant exchange rates quoted by Bloomberg and the People's Bank of China respectively at 10:00 a.m. on the date of the Joint Announcement divided by 468,096,000 Sale Shares (i.e. the sum (US\$30,100,000 multiplied by an exchange rate of HK\$7.826 to US\$1 plus RMB50,671,000 multiplied by an exchange rate of HK\$1.134 to RMB1) divided by 468,096,000 Sale Shares equals HK\$0.626).

The Independent Board Committee comprising Mr. ZHANG Wenli, being the only non-executive Director who has no direct or indirect interest in the Offer, and all independent non-executive Directors including Mr. SIU Chi Hung, Mr. XIAO Huan Wei and Ms. LI Chun Elsy, has been established by the Company pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code to advise the Offer Shareholders in respect of the Offer, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Ms. NG Shuk Ming, being a non-executive Director and a principal at CITP Advisors (Hong Kong) Ltd., is not considered to be independent in respect of the Offer. CITP Advisors (Hong Kong) Ltd. is an investment management company that provides consulting services to CITP GP I Ltd., being the general partner of China Infrastructure Partners, L.P.. China Infrastructure Partners, L.P. is the ultimate shareholder of the Vendor, which indirectly holds 100% interests in the Vendor. Ms. NG Shuk Ming, through the Vendor, has certain direct interest in the Share Purchase and the Share Purchase Completion is the trigger for the Offer. Ms. NG Shuk Ming therefore has an indirect interest in the Offer. As such, Ms. NG Shuk Ming is excluded from being a member of the Independent Board Committee.

We, Nuada Limited, have been appointed by the Company, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

During the past two years immediately preceding the commencement of the Offer Period, we were previously engaged as independent financial adviser by the Company regarding certain continuing connected transactions as disclosed in the circular of the Company dated 12 December 2025. Apart from normal professional fees for our services to the Company in connection with the aforesaid appointment and the current appointment, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Group, the Offeror and parties acting in concert with it or the Vendors or any other parties that could reasonably be regarded as relevant to our independence. Save for the aforesaid appointment and the current appointment and normal professional fees for our services to the Company in connection with the aforesaid appointment and the current appointment, there is no other relationships or interests between (a) Nuada; and (b) the Group, the Offeror, the Vendor, and their respective controlling shareholders,

subsidiaries and associates, nor is Nuada associated with the Group, the Offeror, the Vendor, and their respective substantial shareholders and any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices on the Offer.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Offer Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors, the sole director of the Offeror and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to Latest Practicable Date. Should there be any material changes to the information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors, the sole director of the Offeror and the Management and our opinions and/or recommendation after the despatch of the Composite Document and throughout the Offer Period, the Offer Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Our review and analysis were based upon, among other things, the information provided by the Company including the Joint Announcement and the Composite Document, and certain published information from the public domain including market statistics from 國家統計局 (National Bureau of Statistics) of the PRC, market statistics from 中國鋼鐵工業協會 (China Iron and Steel Association), status of trade war between the United States and the PRC, trading performance of the Shares on the Stock Exchange, the annual reports of the Company for the financial year ended 31 December 2023 (“**Annual Report 2023**”), 31 December 2024 (“**Annual Report 2024**”) and 31 December 2025 (“**Annual Report 2025**”), respectively.

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

## **PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE OFFER**

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

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

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

As stated in the section headed “Letter from the Board” in the Composite Document, the Group is principally engaged in the business of production and supply of industrial gases in the PRC. According to the Annual Report 2025, the Group generated revenue from three segments, namely (i) supply of industrial gas (pipeline and liquified); (ii) supply of liquefied natural gas (“LNG”) and gas transmission services; and (iii) technical support and management services, which accounted for approximately 83.7%, 14.2% and 1.2% of the Company’s revenue for the year ended 31 December 2025 respectively.

#### ***Supply of Pipeline Industrial Gas***

The Group’s pipeline industrial gas is produced and transmitted to its customers via pipelines. The Group’s production facilities are all located at, or in close proximity to, the production facilities of its pipeline industrial gas customers to conveniently provided them with industrial gas products. During the year ended 31 December 2025, the Group had two pipeline industrial gas production plants in operation, namely the TTG Laoting Branch (唐鋼氣體樂亭分公司) plant and the Tangshan Tangsteel Gases Co., Ltd.\* (唐山唐鋼氣體有限公司) new district plant (formerly known as the Zhongqi Investment (Tangshan) plant).

### *Supply of Liquefied Industrial Gas*

To maximise the utilisation of its designed production capacity and increase its revenue, the Group also engages in the supply of liquefied industrial gas. The Group's liquefied industrial gas products include oxygen, nitrogen, argon and carbon dioxide. Among the oxygen and nitrogen in gas form and liquefied oxygen, nitrogen and argon generated in its air separations unit(s) ("ASUs"), liquefied oxygen, nitrogen and argon can be sold directly as liquid products, whereas oxygen and nitrogen in gas form generated by the ASUs can be further processed through the liquefier to obtain liquefied oxygen and nitrogen. After meeting all the demand for oxygen and nitrogen in gas form in the pipeline, the Group utilises the spare design capacity to produce and sell liquefied nitrogen, thereby maximising the use of the ASUs. Carbon dioxide is produced in a separate production line independent from the production of oxygen, nitrogen and argon.

### *Supply of LNG and the Provision of Gas Transmission Services*

The Group's LNG-related business includes the supply of LNG and the provision of gas transmission services. The supply of LNG refers to the production and sale of LNG products by the Group. The provision of gas transmission services refers to the Group's coke oven gas pressurisation and transmission services provided via pipelines which are separated from those used for its supply of pipeline industrial gas. The Group's Luanxian plant produces LNG and also provides gas transmission services, and has relevant equipment and machinery used for the Group's LNG supply business.

### *Provision of Technical Support and Management Services*

The Group provides technical support and management services. Such services include management of organisation and planning, equipment inspections, equipment maintenance, routine maintenance, safety, labour and personnel management etc. in relation to the production and supply of the industrial gas products.

**(b) Financial information of the Group**

The table below summarises the financial results of the Group for the financial years ended 31 December 2023 (“FY2023”), 31 December 2024 (“FY2024”) and 31 December 2025 (“FY2025”) as extracted from the Annual Report 2024 and the Annual Report 2025 respectively.

	For the year ended 31 December		
	2025	2024	2023
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	1,529,116	1,313,612	1,491,154
– Supply of pipeline industrial gas	1,176,835	961,498	998,622
– Supply of liquefied industrial gas	102,746	113,165	165,703
– Supply of LNG and gas transmission	216,644	213,196	305,357
– Technical support and management service	18,606	14,764	2,917
– Others	14,285	10,989	18,555
Cost of revenue	(1,150,165)	(998,365)	(1,159,051)
Gross profit	378,952	315,247	332,103
Gross profit margin (%)	24.8	24.0	22.3
Selling and marketing expenses	(2,575)	(2,319)	(1,893)
Administrative expenses	(41,424)	(47,280)	(54,391)
Credit loss allowance for trade receivables	(7,504)	(3,078)	(15,364)
Impairment losses of property, plant and equipment		–	–
Research and development expenses	(81,203)	(66,252)	(73,603)
Other income	14,545	9,639	5,380
Other (losses)	(46,079)	(28,026)	(17,751)
Operating profit	214,711	177,930	174,480
Finance costs, net	(12,923)	(18,477)	(21,715)
Profit before income tax	201,788	159,453	152,765
Income tax expense	(45,521)	(29,407)	(24,689)
Profit for the period attributable to owners of the Company	156,266	130,047	128,076

#### *Financial performance for FY2025 vs FY2024*

The revenue of the Group for FY2025 amounted to approximately RMB1,529.1 million, representing an increase of approximately 16.4% as compared to approximately RMB1,313.6 million for FY2024. With reference to the Annual Report 2025 and according to the Management, such increase was mainly due to combined effects of (i) the increase of revenue generated from the supply of pipeline industrial gas from approximately RMB961.5 million for FY2024 to approximately RMB1,176.8 million for FY2025 mainly due to the rising demand for pipeline industrial gas resulting in an increase in pipeline gas production and revenue; (ii) the decrease of revenue generated from supply of liquefied industrial gas from approximately RMB113.2 million for FY2024 to approximately RMB102.8 million for FY2025 mainly due to the addition of Tangshan Guotang Steel Co., Ltd. (唐山國堂鋼鐵有限公司) as a pipeline oxygen customer, and no surplus oxygen for the production of liquid products; (iii) the increase of revenue generated from the supply of LNG and gas transmission services from approximately RMB213.2 million for FY2024 to approximately RMB216.6 million for FY2025 mainly due to the additional pipeline transmission fees from Meijin Coal Chemical; and (iv) the increase of revenue generated from technical support and management services from approximately RMB14.8 million for FY2024 to approximately RMB18.6 million for FY2025 mainly due to the higher production volumes of High-strength Car Plate, resulting in increased service fee income.

The gross profit of the Group increased from approximately RMB315.3 million for FY2024 to approximately RMB379.0 million for FY2025, the gross profit margin of the Group increased slightly from approximately 24.0% for FY2024 to approximately 24.8% for FY2025. The Group recorded a profit for the period attributable to the owners of the Company of approximately RMB156.3 million for FY2025, representing an increase of approximately 20.2% as compared to that of approximately RMB130.1 million for FY2024, as discussed with the Management and with reference to the Annual Report 2025, it was mainly due to the combined effects of (i) the increase in revenue of the Group for FY2025 as mentioned above; (ii) the decrease of administrative expenses from approximately RMB47.3 million for FY2024 to approximately RMB41.4 million for FY2025; and (iii) increase in research and development expenses of approximately RMB66.3 million for FY2024 to approximately RMB81.2 million for FY2025; (iv) increase in other income of approximately RMB9.6 million for FY2024 to approximately RMB14.5 million for FY2025; and (v) increase in other losses of approximately RMB28.0 million for FY2024 to approximately RMB46.1 million for FY2025.

### *Financial performance for FY2024 vs FY2023*

The revenue of the Group for FY2024 amounted to approximately RMB1,313.6 million, representing a decrease of approximately 11.9% as compared to approximately RMB1,491.2 million for FY2023. With reference to the Annual Report 2024 and according to the Management, such decrease was mainly due to combined effects of (i) the decrease of revenue generated from the supply of pipeline industrial gas from approximately RMB998.6 million for FY2023 to approximately RMB961.5 million for FY2024 mainly due to the fact that Tangshan High-Strength gas plant had ceased production and switched to providing technical support and management services, resulting in a decrease in pipeline gas supply; (ii) the revenue generated from the supply of liquefied industrial gas decreased from approximately RMB165.7 million for FY2023 to approximately RMB113.2 million for FY2024 mainly due to the decrease in the price of liquid oxygen products; (iii) the revenue generated from the supply of LNG and gas transmission services decreased from approximately RMB305.4 million for FY2023 to approximately RMB213.2 million for FY2024 mainly due to the decrease in demand from specific customers; and (iv) the revenue generated from technical support and management services increased from approximately RMB2.9 million for FY2023 to approximately RMB14.8 million for FY2024, mainly attributable to the fact that the Company only commenced provision of such services in November 2023.

Although the decrease of revenue as mentioned above and the gross profit decreased from approximately RMB332.1 million for FY2023 to RMB315.2 million for FY2024, the gross profit margin of the Group increased slightly from approximately 22.3% for FY2023 to approximately 24.0% for FY2024. The Group recorded a profit for the year attributable to the owners of the Company of approximately RMB130.0 million for FY2024, slightly increased from that of approximately RMB128.1 million for FY2023 despite the aforesaid decrease in gross profit. As discussed with the Management and with reference to the Annual Report 2024, it was mainly due to (i) the decrease of administrative expenses from approximately RMB54.4 million for FY2023 to approximately RMB47.3 million for FY2024; (ii) the decrease in credit loss allowance for trade receivables from approximately RMB15.4 million for FY2023 to approximately RMB3.1 million for FY2024; and (iii) the research and development expenses decreased from approximately RMB73.6 million for FY2023 to approximately RMB66.3 million for FY2024.

*Financial position as at 31 December 2025 and 30 June 2025*

	<b>As at 31 December 2025 RMB'000 (audited)</b>	<b>As at 30 June 2025 RMB'000 (unaudited)</b>
Current assets	915,878	864,457
– Trade receivables	650,644	580,407
– Cash and cash equivalents	150,038	193,841
Non-current assets	1,532,170	1,620,102
Current liabilities	421,502	605,933
– Borrowings	112,954	295,579
Net current assets	494,376	258,525
Total assets	2,448,048	2,484,559
Non-current liabilities	230,325	159,437
Total liabilities	651,827	765,370
Net assets	1,796,221	1,719,190

As stated in the Annual Report 2025, the Company recorded current assets of approximately RMB915.9 million as at 31 December 2025 as compared with that of approximately RMB864.5 million as at 30 June 2025, of which (i) the trade receivable increased from approximately RMB580.4 million as at 30 June 2025 to approximately RMB650.6 million as at 31 December 2025; and (ii) the cash and cash equivalents decreased from approximately RMB193.8 million as at 30 June 2025 to approximately RMB150.0 million as at 31 December 2025. The current liabilities decreased from approximately RMB605.9 million as at 30 June 2025 to approximately RMB421.5 million as at 31 December 2025 mainly due to the borrowings decreased from approximately RMB295.6 million as at 30 June 2025 to approximately RMB113.0 million as at 31 December 2025. Based on the above, the net current assets increased from approximately RMB258.5 million as at 30 June 2025 to approximately RMB494.4 million as at 31 December 2025. The net assets of the Group remained relatively stable and recorded approximately RMB1,796.2 million as at 31 December 2025, as compared to approximately RMB1,719.2 million as at 30 June 2025.

*Qualified opinion of independent auditor's report of the Company*

As set out in the Annual Report 2023, BDO Limited, the auditors of the Company (the “**Auditor**”) issued a qualified opinion (“**Qualified Opinion**”) for the consolidated financial statements of the Group for FY2023. Regarding the Qualified Opinion in summary, in the Auditor’s opinion, except for the possible effect of the matters described in the “Basis for Qualified Opinion” section of its report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Basis for Qualified Opinion**

On 30 November 2020 and 1 December 2020, the Company entered into three loan agreements with Company A, Company B and Company C (collectively “**the Borrowers**”) with principal amounts of RMB50,000,000, RMB53,522,000 and RMB14,478,000 respectively (the “**Loan Agreements**”). On 7 December 2020 and 10 December 2020, the Company transferred the funds as 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 interests 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 loan receivables in the consolidated financial statements for the years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The loan receivables (“**Loan Receivables**”) were measured at amortised cost. As at 31 December 2020, 2021 and 2022, 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 the report. 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. The resultant amortised costs of the Loan Receivables became RMBNil as at 31 December 2020 and these amounts were brought forward to 31 December 2021. During the year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Loan Receivables and fully wrote off the Loan Receivables. Details of the writeoff are disclosed in Note 23 in the consolidated financial statements for the year ended 31 December 2023.

On 18 January 2021, the Company entered into a loan note 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 as 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 consolidated financial statements for the years ended 31 December 2021 and 31 December 2022.

The Note Investment was measured at amortised cost. As at 31 December 2021 and 31 December 2022, repayment of the principal balance and interests thereon under the Loan Note Agreement was overdue. Repayments of this balance remained outstanding up to the date of the report. During the year ended 31 December 2021, the Board determined that full loss allowance of the outstanding principal balance of RMB66,400,000 in aggregate should be provided. Accordingly, a loss allowance of RMB66,400,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021. The resultant amortised cost of the Note Investment became RMBNil as at 31 December 2021. During the year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Note Investment and fully wrote off the Note Investment. Details of the write-off are disclosed in Note 24 in the consolidated financial statements for the year ended 31 December 2023.

Since the audit of the consolidated financial statements for the year ended 31 December 2020, the Auditor has obtained knowledge relating to the Loan Transactions and the Note Investment (“**the Auditor’s Knowledge**”) including:

- (i) the Group engaged in the production and supply 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 ex-Chairman of the Board (the “**ex-Chairman**”) who was also an executive director of the Company (being removed as the Chairman of the Board and the executive director on 3 May 2022 and 5 May 2022 respectively). According to the Company’s internal control policies and procedures, due to the amounts of the Loan Transactions and the Note Investment, the Loan Transactions and the Note Investment should have been approved by the Board;
- (iii) the Company had not performed background check and due diligence on the Borrowers and Company D before entering into the Loan Transactions and the 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 ex-Chairman instructed the transfer of these designated funds to the Borrowers and Company D to fulfil the Company’s commitment in the Loan Agreements and the Loan Note Agreement; and
- (v) as at the date of the report, there were no repayments from the Borrowers and the balance due from Company D was outstanding.

**Scope limitation on the Auditor’s work to ascertain the nature of the Loan Transactions and the Note Investment**

Given the Auditor’s Knowledge obtained in the audit relating to the Loan Transactions and the Note Investment, the Auditor has concerns 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 consolidated financial statements. The Auditor has communicated its concerns to the Board and requested explanations from the Board on how its concerns have been considered in their determination that the Loan Transactions were recognised as Loan Receivables of the Group and the Note Investment was recognised as the Group’s Note Investment in the consolidated financial statements. However, the Auditor has not received explanations from the Board that would satisfy itself as to the commercial substance and business rationale of the Loan Transactions and the Note Investment. There were no alternative audit procedures that the Auditor could perform to satisfy itself on the above concerns.

The Auditor modified its audit opinion on the Group’s consolidated financial statements for the year ended 31 December 2022 because it were unable to conclude whether the write-offs on the Loan Receivables and the Note Investment recognised during the year ended 31 December 2022 which arose from the limitations on the scope of its work to ascertain the nature of the Loan Transactions and the Note Investment are free from material misstatement. Any adjustment that might be found necessary would have a consequential impact on the financial performance for the year ended 31 December 2022, the financial position as at 1 January 2022 and the disclosures thereof in the consolidated financial statements for the year ended 31 December 2022. Its opinion on the Group’s consolidated financial statements for the year ended 31 December 2023 is modified because of the possible effects of the above matter on the comparability of the current year’s figures and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of comprehensive income.

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

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the independent Shareholder to the Qualified Opinion on the consolidated financial statements of the Group for the year ended 31 December 2023.

The Auditor’s opinion on the Group’s consolidated financial statements for the year ended 31 December 2023 was modified because of the possible effects of the above matter on the comparability of the figures for the year ended 31 December 2023 and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of comprehensive income.

As disclosed in the Company’s announcement dated 15 April 2026, the Company (as assignor) had entered into the Assignment of Loans with the Offeror (as assignee) of even date, whereby all the interests and ancillary benefits in (i) the Loans together with (ii) the interests accrued thereon were assigned to the Offeror at the total consideration of RMB118,000,000, subject to approval of the independent Shareholders of the Company.

The management is of the view that since the Auditor did not issue any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern in respect of the Group's audited consolidated financial statements for each of the two financial years ended 31 December 2024 and 2025. There was also no material change in accounting policies applicable to the three years ended 31 December 2023, 2024 and 2025 which rendered the financial figures not comparable to a material extent. Based on the foregoing, the Board considers that the Qualified Opinion issued by the Auditor on the Group's financial statements for the year ended 31 December 2023 would not have any material implication on the Offer.

In light of the foregoing, and given the Auditor did not issue any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern in respect of the Group's audited consolidated financial statements for each of the two financial years ended 31 December 2024 and 2025, we concur with the view of the Board that the Qualified Opinion issued by the Auditor would not have any material implication on the Offer.

***(c) Outlook and prospects of the Group***

As stated in Annual Report 2025, the Group is principally engaged in the production and supply of industrial gases in the PRC. The Group's key products, industrial gases, are mainly used in the production of iron and steel. The Group's revenue is derived mainly from iron and steel production companies.

According to the National Bureau of Statistics of China (the "Statistic Bureau"), GDP of China grew from approximately RMB103,486.8 billion in 2020 to approximately RMB140,187.9 billion in 2025, representing a cumulative annual growth rate of approximately 6.3% during the period. The total fixed asset investment (excluding agriculture) in the PRC grew from approximately RMB43,855.7 billion in 2020 to approximately RMB48,518.6 billion in 2025, representing a cumulative annual growth rate of approximately 2.0% during the period. In 2025, China's crude steel output was approximately 961 million tonnes, representing a 4.4% decrease compared to 2024, and the pig iron output was approximately 836 million tons, representing 3.0% decrease compared to 2024. According to the data released by China Iron and Steel Association, the production of steel was approximately 1,446 million tons, representing an increase of approximately 3.1% as compared to that for 2024. The production of natural gas in China in 2025 amounted to approximately 262 billion cubic meters, representing an increase of approximately 6.2% as compared to that for 2024.

As mentioned in the Annual Report 2025 and according to the Management, benefiting from the gradual release of production capacity in the coastal production bases of the Group's main customer, namely HBIS, the Group's pipeline industrial gas business recorded an increase as compared to 2024. Export capacity for liquid products also increased slightly, and prices for liquid products rose slightly compared to 2024. Consequently, the Group's revenue for the year ended 31 December 2025 increased to approximately RMB1,529.1 million, representing a 16.4% increase from approximately RMB1,313.6 million for the year ended 31 December 2024.

We have also reviewed the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in both the Annual Report 2024 and the Annual Report 2025 and discussed with the Management in respect of the operation and prospect of the Group. According to the Annual Report 2025, as of 2026, intensifying global geopolitical tensions and regional wars and armed conflicts have disrupted global energy and commodity sectors. The resulting volatility in energy prices has spiked production costs, particularly increasing the overhead for the Group's industrial gas production. Additionally, war-related supply chain and logistical bottlenecks have challenged the Group's ability to maintain operational consistency. As stated in the Annual Report 2025, in the current global economic environment, gas supply companies face multiple risks, particularly those related to their business of supplying gas to iron and steel plants in China. The two main risk factors are changes in the United States (the "US") trade policy towards other countries and the impact of the US-China trade war. Firstly, the increase in tariffs by the US will have profound impact on global trade, which will not only affect the imported raw materials of iron and steel plants, but may also trigger adjustments to the entire supply chain. Iron and steel plants, as the Group's major customers, may change their production plans and market demand due to the impact of trade policies, which may expose the Group's gas demand to fluctuations, affecting sales forecast and inventory management. In summary, as policy uncertainty in the US market increases, the market position of the Group may be challenged.

Secondly, the continued escalation of the US-China trade war has exacerbated the instability of the global trade environment. As bilateral trade relations become increasingly tense, iron and steel plants may face challenges such as reduced market demand and higher trade barriers, which not only affect their production operations, but may also lead to changes in their demand for gas supply. Iron and steel plants may consider alternative sources of supply in response to the trade war, which could further reduce the Group's market share. To address such risks, the Group needs to

formulate flexible business strategies, enhance its market analysis capabilities and risk forecasting capabilities, build a diversified customer base and supply chain to reduce its reliance on a single market, and strengthen its communication and co-operation with iron and steel plants to better understand the changes in their demand. In addition, the Group would also consider expanding into other markets and identifying new business opportunities, so as to maintain its competitiveness in an uncertain trading environment and ensure stable business development.

With reference to the Annual Report 2025 and as advised by the Management, overall demand for industrial gases in 2026 is expected to remain stable. Affected by changes in industry profits and the profit allocation in the product chain, the market supply pressure in the steel industry has become more pronounced, steel enterprises may be less active in production, and steel billets output may passively decline, thereby dragging down demand for industrial gases. However, as a high-end steel material, stainless steel is expected to continue growing in its traditional application in the future. The chemical industry and traditional petrochemical industry are still facing certain challenges, but with the transformation and upgrading of the industry, it will bring new opportunities for the development of the industrial gas industry.

China's industrial gas industry has developed rapidly under the influence of national policies, foreign investment, the development of high tech and so on. Meanwhile, the Group closely follows the industry development trends, actively develops special gas products, and expands the market share in electronic special gas products, so as to enhance its prospect for future development.

The industrial gas supply model can be categorised into self-established equipment gas supply and outsourced gas supply. As compared to the self-established equipment gas supply model, the outsourced gas supply model features lower operating cost and one-off capital expenditure with higher gas supply stability and more efficient resources utilisation. Therefore, the market share of outsourced gas supply has been growing steadily. With reference to the Annual Report 2025 and as advised by the Management, it is expected that the outsourced gas supply model will gradually replace the self-established equipment gas supply model in the future. The Group will leverage on its successful experience and technical advantages as an outsourced gas supplier to keep pace with the market trends in changing in gas supply models and explore external development opportunities.

Given the factors discussed above, we consider that the future prospects of the Group appear challenging and uncertain in the short term, dependent on the Offeror's future business strategies and plans.

## 2. Information on the Offeror and the Offeror's intention regarding the Group

### (a) Information on the Offeror

The Offeror was incorporated in the BVI with limited liability on 25 August 2025. The Offeror is an investment holding company. The Offeror is wholly owned by Tianjin Tangde Technology Co., Ltd.\* (天津唐德科技有限公司)(“**Tianjin Tangde**”), a wholly-owned subsidiary of Beijing Tangde Qingneng Enterprise Management Consulting Co., Ltd.\* (北京唐德清能企業管理諮詢有限公司)(“**Beijing Tangde Qingneng**”) which is in turn wholly owned by Jiaxing Morewisdom Tangde Equity Investment Partnership (Limited Partnership)\* (嘉興摩予渡唐德股權投資合夥企業(有限合伙))(“**Jiaxing Morewisdom**”).

The Offeror, Tianjin Tangde, Beijing Tangde Qingneng and Jiaxing Morewisdom were all incorporated or established in 2025 as investment vehicles for the Share Purchase. These four entities have no investment other than the Share Purchase. None of the four entities are engaged in actual business operations. They only have necessary personnel such as directors and finance, legal, and tax staff, with no employees involved in sales, production, or other operations.

Jiaxing Morewisdom is beneficially owned as to 78% by Sichuan Dingxiang Equity Investment Fund Co., Ltd.\* (四川鼎祥股權投資基金有限公司)(“**Sichuan Dingxiang**”), 10% by Yanran (Hainan) Investment Management Partnership (Limited Partnership)\* (研然(海南)投資管理合夥企業)(“**Yanran Investment**”), 10% by Hainan Zhongfang Energy Co., Ltd.\* (海南眾方能源有限公司)(“**Hainan Zhongfang**”) and 2% by Morewisdom (Shanghai) Private Equity Fund Management Co., Ltd.\* (摩予渡(上海)私募基金管理有限公司)(“**Morewisdom**”). Sichuan Dingxiang, Yanran Investment and Hainan Zhongfang are the limited partners of Jiaxing Morewisdom. Morewisdom is the general partner and fund manager of Jiaxing Morewisdom.

Sichuan Dingxiang is owned as to 80% by Mr. Song Jiajun (宋佳駿) and as to 20% by Ms. Song Binyang (宋玢陽).

Yanran Investment is owned as to 65% by Mr. Chen Yingliu (陳英柳) and as to 35% by Mr. Chen Tianyi (陳天易).

Hainan Zhongfang is wholly owned by Mr. Cao Zhen (曹震).

Morewisdom, incorporated on 20 January 2015, is registered as a “private equity and venture capital fund manager” (私募股權、創業投資基金管理人) with the Asset Management Association of China (中國證券投資基金業協會), engaging in funds investment, funds management, and post-investment projects management. Morewisdom is the general partner and fund manager of Jiaxing Morewisdom. Apart from Jiaxing Morewisdom, Morewisdom has also invested in and/or managed other six funds registered with the Asset Management Association of China (中國證券投資基金業協會), covering new materials and processes, mineral resources and modern agriculture industries/sectors. Morewisdom is owned as to 98% by Morewisdom (Hainan) Enterprise Management Consulting Partnership (Limited Partnership)\* (摩予渡(海南)企業管理諮詢合夥企業(有限合夥)) (“**Hainan Morewisdom**”) and as to 2% by Morewisdom (Hainan) Industrial Development Co., Ltd.\* (摩予渡(海南)實業發展有限公司) (“**Morewisdom (Hainan) Industrial**”).

Morewisdom (Hainan) Industrial is owned as to 54.55% by Mr. Li Jun (李軍), as to 36.36% by Mr. Cao Zhen (曹震) and as to 9.09% by Jiaxing Morewisdom Zhenheng Equity Investment Partnership (Limited Partnership)\* (嘉興摩予渡真恒股權投資合夥企業(有限合夥)) (“**Morewisdom Zhenheng**”).

Morewisdom Zhenheng is owned as to 85.72% by Chengde Disheng Metal Composite Materials Co., Ltd.\* (承德市帝聖金屬複合材料有限公司) (“**Chengde Disheng**”), as to 9.52% by Hainan Morewisdom and as to 4.76% by Morewisdom. Chengde Disheng is owned as to 96.78% by Hu Zhaoli (胡招李), as to 1.61% by Hu Zhaofa (胡招法) and as to 1.61% by Li Mingxia (李明霞).

Hainan Morewisdom is an investment holding vehicle, engaging solely investment activities. Hainan Morewisdom is owned as to 40% by Mr. LI Jun (李軍), as to 30% by Chengdu Yuanming Juyu Enterprise Management Partnership (General Partnership)\* (成都源銘聚裕企業管理合夥企業(普通合夥)) (“**Chengdu Yuanming Juyu**”), as to 20% by Tianjin Laiwei Materials Co., Ltd.\* (天津來巍物資有限公司) (“**Tianjin Laiwei**”) and as to 10% by Shanghai Jitailai Enterprise Management Consulting Partnership (Limited Partnership)\* (上海吉泰萊企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Jitailai**”). Mr. Li Jun and Chengdu Yuanming Juyu are the general partners of Hainan Morewisdom. Tianjin Laiwei and Shanghai Jitailai are the limited partners of Hainan Morewisdom.

Chengdu Yuanming Juyu is owned as to 80% by Mr. Song Jiajun (宋佳駿) and as to 20% by Ms. Song Binyang (宋玢陽). Both of Mr. Song Jiajun (宋佳駿) and Ms. Song Binyang (宋玢陽) are the general partners of Chengdu Yuanming Juyu.

Tianjin Laiwei is owned as to 90% by Mr. Liu Wei (劉巍) and as to 10% by Hainan Laiwei Technology Co., Ltd.\* (海南來巍科技有限公司)(“**Hainan Laiwei**”). Hainan Laiwei is owned as to 51% by Yao Yue Enterprise Management (Haikou) Co., Ltd.\* (耀玥企業管理(海口)有限公司)(“**Yao Yue**”) and 49% by Laiwei Investment (Hainan) Co., Ltd.\* (來巍投資(海南)有限公司)(“**Laiwei Investment**”). Both of Yao Yue and Laiwei Investment are owned as to 99% by Mr. Liu Wei (劉巍) and as to 1% by Mr. Chen Peng (陳鵬).

Shanghai Jitailai is owned as to 70% by Mr. Chen Tianyi (陳天易) and as to 30% by Li Yiduo (李翊多).

The Offeror has not engaged in any business activities since its date of incorporation apart from those disclosed in this Composite Document. Prior to the Share Purchase Completion, the Offeror did not have any assets other than the shareholder’s loan provided by its parent companies.

The Offeror, being the investment vehicle of a private equity fund with an investment period to be expired on 22 September 2031, will exit the investment into the Company before expiry of its investment period with a view to financial gain and will not cooperate with HK Huitang Zhihe in the business operation of the Group or to control the voting rights of the Company.

Mr. Li Jun (李軍) is the sole director of the Offeror. He participated in the integration of multiple steel enterprises, possessing deep knowledge in industrial energy industry. For his biographical information, please refer to the section headed “Proposed Change of the Composition of the Board” below.

As at the Latest Practicable Date, the Offeror does not have any assets other than the Sale Shares, representing approximately 39.01% of the existing issues share capital of the Company.

***(b) Intention of the Offeror regarding the Group***

Following the Share Purchase Completion, the Offeror becomes a controlling shareholder of the Company. The Offeror intends to continue the existing principal businesses of the Group. The Offeror has no intention to discontinue the employment of the employees (save for changes in the composition of the Board as disclosed in the paragraph headed “Proposed change of Board Composition” below) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Offeror will, following the close of the Offer, conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may explore other business opportunities for the Company which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of the Offeror with a view of enhancing the Group’s business growth and asset base as well as broadening its income stream.

As of the Latest Practicable Date, the Offeror is considering supporting the Company’s sales of high-purity rare gases (including helium, neon, krypton and xenon) to industry customers, to meet the growing demand for such products in related industries and seize the business opportunities arising from the trend of supply chain substitution in the PRC.

***Proposed change of Board composition***

The Board is currently made up of seven Directors, comprising two executive Directors, being Mr. SONG Changjiang and Mr. SUN Changhuan; two non-executive Directors, being Ms. NG Shuk Ming and Mr. ZHANG Wenli and three independent non-executive Directors, being Mr. SIU Chi Hung, Mr. XIAO Huan Wei and Ms. LI Chun Elsy.

It is expected that the Offeror will require certain of the Directors to resign from the Board and the Offeror will nominate new Directors to the Board at the earliest time as permitted under the Takeovers Code. The Offeror and the Company do not foresee any negative impact on the Group’s operation due to departure of any of the existing Directors after the Offer Period as most of the existing Directors will remain on the Board.

It is proposed that Mr. LI Jun and Mr. SONG Jiajun will be appointed as Directors shortly after the despatch of the Composite Document; and Mr. CHEN Tianyi will be appointed as Directors following the close of the Offer. In addition, Mr. SONG Jiajun will be further appointed as the chairman of the Board, subject to the approval of the Company's nomination committee and remuneration committee. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a separate announcement will be made in this regard as and when appropriate. Set out below are the biographical details of the above-mentioned nominees for appointment as executive Directors. Further details required by Rule 13.51(2) of the Listing Rules will be announced after the appointment takes effect:

Mr. LI Jun (李軍)

Mr. LI Jun, aged 48, holds a Ph.D. in Engineering from Tsinghua University and possesses 16 years of experience in strategic planning and large-scale mergers and acquisitions. He is one of the founders and CEO of Morewisdom. Mr. Li was a Senior Investment Review Manager at the Planning & Development Department (規劃發展部投資審查高級經理) from May 2009 to December 2012 and a Deputy General Manager at the Capital Operations Department (資本運營部副總經理) from March 2016 to November 2016 in Baosteel Group Corporation Limited\* (寶鋼集團有限公司)(now known as China Baowu Steel Group Corporation Limited\* (中國寶武鋼鐵集團有限公司)) and a Deputy General Manager at the Investment Management Department (投資管理部副總經理) from December 2016 to July 2017 in China Baowu Steel Group Corporation Limited\* (中國寶武鋼鐵集團有限公司). Mr. Li has been serving as an independent director of Xinyu Iron and Steel Co., Ltd.\* (新餘鋼鐵股份有限公司)(a company listed on the Shanghai Stock Exchange, Stock Code: 600782) since 25 June 2025. He participated in the integration of multiple steel enterprises, possessing deep knowledge in industrial energy industry.

Mr. Li is a general partner of Hainan Morewisdom and owns 40% of the interests thereof. Hainan Morewisdom owns 98% of the interest in Morewisdom. And, Morewisdom is the general partner and fund manager of Jiaxing Morewisdom, and owns 2% of the interests thereof. The Offeror is indirectly wholly-owned by Jiaxing Morewisdom.

Save as disclosed above, Mr. Li (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the date of the Joint Announcement and by virtue of the SFO, Mr. Li is deemed to be interested in 468,096,000 Shares, representing approximately 39.01% of the issued share capital of the Company.

Mr. SONG Jiajun (宋佳駿)

Mr. SONG Jiajun, aged 31, holds a bachelor's degree in hospitality management from the University of Nevada, Las Vegas. He is one of the founders of Morewisdom and the controlling shareholder of Sichuan Dingxiang.

Save as disclosed above, Mr. Song (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

Mr. Song owns 80% of registered capital of Sichuan Dingxiang. Sichuan Dingxiang owns 78% of the interests in Jiaying Morewisdom. And, Mr. Song also owns 80% of the interests in Chengdu Yuanming Juyu and is a general partner thereof. Chengdu Yuanming Juyu owns 30% of the interest in Hainan Morewisdom and is a general partner thereof. Hainan Morewisdom owns 98% of registered capital of Morewisdom, while Morewisdom owns 2% of the interests in Jiaying Morewisdom and is the general partner thereof. The Offeror is indirectly wholly-owned by Jiaying Morewisdom.

As at the date of the Joint Announcement and by virtue of the SFO, Mr. Song is deemed to be interested in 468,096,000 Shares, representing approximately 39.01% of the issued share capital of the Company.

Mr. CHEN Tianyi (陳天易)

Mr. CHEN Tianyi, aged 37, holds a Master's degree in Electrical Engineering from Columbia University and possesses nearly 10 years of experience in technology and investment. He is one of the founders of Morewisdom and an executive partner of Yanran Investment. Previously, Mr. Chen was an Application Engineer at Silicon Valley-based ALTA DEVICES (a leading thin-film solar technology company) from May 2016 to September 2019 and a Senior Application Engineer at Glydways, Inc. (an autonomous driving technology company) from November 2019 to August 2021. He returned to China in 2021 to establish a dual-currency cross-border investment platform with a focus on venture capital, secondary funds and mergers & acquisitions funds. Mr. Chen has strong technical background and cross-border multi-strategy investment experience.

Save as disclosed above, Mr. Chen (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the date of the Joint Announcement, Mr. Chen does not have and is not deemed to have any interest in the shares, underlying shares or debentures of the Company and/or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

**(c) *Public float and maintenance of the listing status of the Company***

As stated in the Composite Document, the Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer and does not intend to avail itself of any power of compulsory acquisition.

The Company will make an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 13.32B of the Listing Rules in case less than 25% of the issued share capital of the Company will be held by the public upon the close of the Offer in accordance with Rule 13.33 of the Listing Rules. Appropriate steps will be taken to ensure public float will be restored as soon as possible after the close of the Offer. The steps that the Offeror may take include but not limited to placing down or selling sufficient number of accepted Shares it acquired from the Offer to independent placees or in the market. No arrangements had been confirmed or put in place as at the Latest Practicable Date.

The Stock Exchange has stated that:

- (a) if, at the close of the offer, the Stock Exchange believes that:
- a false market exists or may exist in the trading of the Shares; or
  - an orderly market does not exist or may not exist;

it will consider exercising its discretion to suspend trading in the Shares.

(b) if, at the close of the Offer, the Company has a Significant Public Float Shortfall (as defined in rule 13.32F of the Listing Rules), then:

- the Stock Exchange will add a designated marker to the stock name of the listed Shares; and
- the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange that if, at the close of the Offer, the Company fails to comply with the requirement of rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the Company's compliance with rule 13.32B of the Listing Rules at the earliest possible moment.

*Our view*

Based on the background of the proposed directors as stated in the Composite Document, we note that (i) Mr. LI Jun possesses experience in strategic planning and large-scale mergers and acquisitions; (ii) Mr. SONG Jiajun is one of the founders of Morewisdom and the controlling shareholder of Sichuan Dingxiang; and (iii) Mr. CHEN Tianyi possesses experience in technology and investment and is one of the founders of Morewisdom and an executive partner of Yanran Investment, and he has strong technical background and cross-border multi-strategy investment experience, having considered that (a) the Offeror intends to continue the existing principal businesses of the Group; (b) the Offeror has no intention to discontinue the employment of the employees (save for changes in the composition of the Board as disclosed in the paragraph headed "Proposed change of Board Composition" above) or (c) to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, we are of the view that there will not be material change in the business and financial performance of the Group as a result of the Offer.

**DEED OF ASSIGNMENT**

On 14 January 2026, the Vendor as the assignor entered into the Deed of Assignment for the assignment of the Receivables to the Offeror in the amount of RMB50,671,500.

The Receivables were the dividends owed by the Company to the Vendor. Having entered into the Deed of Assignment, the Offeror paid to the Vendor an amount equivalent to the Receivables and consequently became entitled to claim the Receivable from the Company.

The main terms of the Deed of Assignment were as follows:

Assignor:	Vendor
Assignee:	Offeror
Consideration:	RMB50,671,500 (i.e. being an amount equivalent to the Receivables) was paid by the Offeror to the Vendor
Payment Date:	14 January 2026
Other terms:	The Vendor as the assignor confirmed it had not received any of the Receivables as of the date of the Deed of Assignment and undertook with the Offeror as the assignee that if, on or after the date of the Vendor's actual receipt of the payment of RMB50,671,500 by the Offeror, the Vendor receives or recovers from the Company any amount of the Receivable which, by virtue of the terms of the Deed of Assignment, is assigned to or receivable by the Offeror, the Vendor shall hold such amount on trust for the Offeror and promptly account for the same to the Offeror.

The assignment of the Receivables under the Deed of Assignment, being an arrangement made between the Offeror and the Vendor (a former shareholder of the Company) while the Offer was reasonably in contemplation, constituted a special deal under Note 5 to Rule 25 of the Takeovers Code.

The Offeror will extend the special benefit under the Deed of Assignment to Offer Shareholders by paying an additional Offer Price adjustment equivalent to the special benefit of RMB50,671,500 under the Deed of Assignment at an exchange rate of HK\$1.134 to RMB1 quoted by the People's Bank of China on the date of the Joint Announcement divided by 468,096,000 Sale Shares, which will form part of the Offer Price.

As the Offer Price of HK\$0.626 per Offer Share is the sum of the Consideration under the Share Purchase Agreement and the special benefit under the Deed of Assignment divided by 468,096,000 Sale Shares at relevant exchange rates quoted by the People's Bank of China on the date of the Joint Announcement (i.e. the sum (US\$30,100,000 multiplied by exchange rate of US\$1=HK\$7.826 plus RMB50,671,000 multiplied by exchange rate of RMB1=HK\$1.134) divided by 468,096,000 Sale Shares equals HK\$0.626), we are of the view that the special benefit is appropriately reflected in the Offer Price.

### 3. Principal terms of the Offer

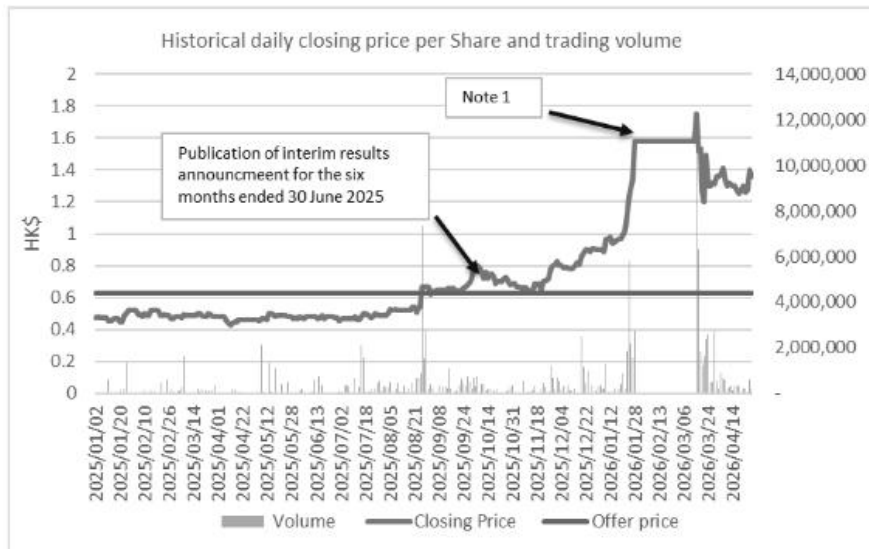
#### *(a) Comparison of the market prices of the Shares*

As stated in the section headed “Letter from First Shanghai” in the Composite Document, the Offer Price of HK\$0.626 represents:

- (i) a discount of approximately 60.38% to the closing price of HK\$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 51.62% to the average closing price of approximately HK\$1.29 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 44.94% to the average closing price of approximately HK\$1.14 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 36.01% to the average closing price of approximately HK\$0.98 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 63.12% to the audited consolidated net asset value of the Group of approximately RMB1.50 per Share (equivalent to approximately HK\$1.70 per Share) as at 31 December 2025;
- (vi) a discount of approximately 61.47% to the unaudited consolidated net asset value of the Group of approximately RMB1.43 per Share (equivalent to approximately HK\$1.62 per Share) as at 30 June 2025.

**(b) Historical price performance of the Shares**

The graph below shows Offer Price and the movement of the closing prices of the Shares during the period from 2 January 2025, being the first trading day of the twelve months prior to the Last Trading Day (i.e. 28 January 2026), and up to and including the Last Trading Day (the “First Review Period”), and (ii) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the “Second Review Period” together with the First Review Period, the “Review Period”) with key/relevant events labelled. We consider that the Review Period can reflect the latest market conditions and the recent price performance and trading volume of the Shares for conducting an analysis against the Offer Price. Accordingly, we consider the Review Period adopted is fair and reasonable.



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note 1: The trading of the Shares was suspended during 29 January 2026 to 13 March 2026 pending the publication of the Joint Announcement and was resumed to trading on 16 March 2026.

### *The First Review Period*

During the First Review Period, the Shares have been trading between the price range of HK\$0.425 per Share to HK\$1.58 per Share with an average trading price of approximately HK\$0.602 per Share. The Offer Price of HK\$0.626 per Offer Share represents (i) a premium of approximately 47.3% over the lowest closing price; (ii) a discount of approximately 60.4% to the highest closing price; and (iii) a premium of approximately 0.97% over the average closing price during the First Review Period.

As illustrated in the graph above, (i) the closing price of the Shares was HK\$0.5 per Share with trading volume of 1,358,000 Shares on 23 January 2025; (ii) the closing price of the Shares was HK\$0.495 per Share with trading volume of 1,634,000 Shares on 7 March 2025; (iii) the closing price of the Shares was HK\$0.465 per Share with trading volume of 2,134,000 Shares on 7 May 2025; (iv) the closing price of the Shares was HK\$0.5 per Share with trading volume of 1,320,000 Shares on 13 May 2025; (v) the closing price of the Shares was HK\$0.48 per Share with trading volume of 1,112,000 Shares on 16 May 2025; (vi) the closing price of the Shares was HK\$0.48 per Share with trading volume of 2,124,000 Shares on 16 July 2025; and (vii) the closing price of the Shares was HK\$0.5 per Share with trading volume of 1,564,000 Shares on 17 July 2025 (for comparison, the trading volume were less than 1,000,000 Shares during January 2025 to July 2025 except for the abovementioned dates). We have reviewed the publications and note that the Company published (a) the annual results announcement of the Company for FY2024 on 25 March 2025; (b) the Annual Report 2024 and the Environmental, Social and Governance Information/ Report on 29 April 2025; and (c) the announcement in relation to the termination of compliance adviser on 8 July 2025, as discussed with the Management, save as disclosed above, they are not aware of any other possible reason for the aforesaid spike in trading volume.

As illustrated above, the daily closing price of the Shares traded in the range of approximately HK\$0.425 to HK\$0.54 per Share from the beginning of the First Review Period up to 26 August 2025. The daily closing price of the Share subsequently increased to HK\$0.67 per Share with high trading volume of 7,346,000 Shares on 27 August 2025 after the release of interim results announcement of the Company for the six months ended 30 June 2025 on 26 August 2025. Thereafter, the daily closing price of the Share increased gradually, peaking at HK\$1.58 per Share on 28 January 2026. As discussed with the Management, save as disclosed above, they are not aware of any other possible reason for the aforesaid spike in closing price and trading volume.

### *The Second Review Period*

The Second Review Period recorded closing price ranging from HK\$1.2 to HK\$1.75 (the “**Second Review Period Price Range**”), with an average closing price of HK\$1.46 per Share. The Offer Price of HK\$0.626 per Offer Share represents (i) a discount of approximately 47.8% over the lowest closing price; (ii) a discount of approximately 64.2% to the highest closing price; (iii) a discount of approximately 57.1% over the average closing price during the Second Review Period. During the Second Review Period, the closing price of the Shares experienced a notable increase upon the resumption of trading on 16 March 2026 after the Joint Announcement has been published, with the closing price surging from HK\$1.58 on the Last Trading Day to HK\$1.75 on the trading day after the publication of the Joint Announcement, representing an increase of approximately 10.8%. Based on our discussion with Management, save for the publication of the Joint Announcement, the Management were not aware of any material matters potentially caused the aforesaid movement. We consider that the notable increase in closing price per Share were primarily attributable to the market reaction and anticipation to the Offer following release of the Joint Announcement.

### *The Review Period*

During the Review Period, the closing prices of the Shares ranged from the highest of HK\$1.75 per Share recorded on 16 March 2026 to the lowest of HK\$0.425 per Share recorded on 10 April 2025, with an average of approximately HK\$0.760 per Share. During the Review Period, the Offer Price of HK\$0.626 per Share represents (i) a discount of approximately 64.2% to the highest closing price of HK\$1.75 per Share; (ii) a premium of approximately 47.3% over the lowest closing price of HK\$0.425 per Share; and (iii) a discount of approximately 17.7% to the average closing price of approximately HK\$0.760 per Share.

(c) **Historical trading liquidity of the Shares**

The following table sets out the historical trading liquidity of the Shares during the Review Period:

Month/period	Number of trading days in the month/period	Average daily trading volume per trading day in the month/period Shares (Note 1)	Percentage of average daily trading volume to total number of Shares in issue Approximate % (Note 2)	Percentage of average daily trading volume of the Shares to total number of Shares held by public Shareholders Approximate % (Note 3)
<b>First Review Period</b>				
<b>2025</b>				
January	19	131,579	0.011	0.044
February	20	96,600	0.008	0.032
March	21	164,857	0.014	0.055
April	19	25,474	0.002	0.008
May	20	295,600	0.025	0.099
June	21	111,333	0.009	0.037
July	22	362,909	0.030	0.121
August	21	806,286	0.067	0.269
September	22	309,909	0.026	0.103
October	20	216,600	0.018	0.072
November	20	206,400	0.017	0.069
December	21	407,238	0.034	0.136
<b>2026</b>				
January (up to and including the Last Trading Day)	19	982,842	0.082	0.328
<b>Second Review Period</b>				
February (Note 4)	0	0	0	0
March (Note 4)	12	2,722,333	0.227	0.907
April (up to the Latest Practicable Date)	19	323,263	0.027	0.108

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the corresponding number of trading days of that month/period.

2. It is calculated by dividing the average daily trading volume of the Shares by the total number of Shares in issue at the end of each month or as at the Latest Practicable Date, where applicable.
3. It is calculated by dividing the average daily trading volume of the Shares by the total number of Shares held by public Shareholders.
4. The trading of the Shares was suspended during 29 January 2026 to 13 March 2026 pending the publication of the Joint Announcement and was resumed to trading on 16 March 2026.

As set out in the table above, during the First Review Period, the percentage of average daily number of Shares traded relative to the total number of Shares in issue ranged from approximately 0.002% to 0.082%, with an average of approximately 0.026%. It is noted that the trading percentage falls below the percentage of 0.1% throughout the First Review Period. In addition, the percentage of average daily trading volume to the total number of Shares held by public shareholders ranged from approximately 0.008% to 0.328%, with an average of approximately 0.106%, and it is noted that 8 out of the 13 months recorded a percentage below the percentage of 0.1%. It is further noted, during the First Review Period, there were a total of 265 trading days, of which 55 days recorded no trading of Shares.

During the Second Review Period, the percentage of average daily trading volume of the Shares relative to the total number of Shares in issue were approximately 0.127%, and approximately 0.508% relative to the total number of Shares held by public Shareholders.

Given the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders generally remained below 0.1% during the Review Period, we consider that the liquidity of the Shares had been generally thin during the Review Period. Nevertheless, while the Offer provides an exit alternative at the Offer Price for the Offer Shareholders who would like to realise their investments in the Shares at a fixed price and within a short period of time, those Shareholders are also advised to consider to sell their Shares in the open market instead of accepting the Offer if the closing prices of the Shares is above the Offer Price, after taking into account the possible downward pressure on the Share price when selling in bulk.

*(d) Comparable analysis*

With a view to assess the fairness and reasonableness of the Offer Price, we have also conducted market comparable analysis by comparing the price-to-earnings ratio (the “**P/E Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”) of the Company as implied by the Offer Price and based on the closing price of the Share on the Last Trading Day against that of other listed companies on the Main Board of the Stock Exchange that engages in similar business to those of the Group.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (a) the shares of which are listed on the Main Board of the Stock Exchange; (b) the listed company(ies) that principally engaged, with over 50% of their revenue generated from the supply of gas (pipeline/liquefied), for its latest financial period in the PRC which are of a similar business with the Company; (c) the market capitalization of which ranged between HK\$500 million to HK\$2,000 million as at the Last Trading Day, determined with reference to the market capitalization of the Company during the Review Period, which ranged between approximately HK\$510 million to HK\$1,896 million based on the lowest and highest closing price recorded; and (d) the trading of shares of the subject companies were not suspended on the Last Trading Day and Latest Practicable Date (the “**Criteria**”).

Based on the Criteria, we have identified an exhaustive list of four comparable companies (the “Comparable Companies”). The table below sets out the P/E Ratio and the P/B Ratio of the Company for comparison purposes.

Company name (Stock Code)	Principal activities	Market capitalization as at the Last Trading Day (Note 1) (HK\$ million)	P/E Ratio as at the Last Trading Day (Note 2) (times)	P/B Ratio as at the Last Trading Day (Note 3) (times)	Market capitalization as at the Latest Practicable Date (Note 1) (HK\$ million)	P/E Ratio as at the Latest Practicable Date (Note 2) (times)	P/B Ratio as at the Latest Practicable Date (Note 3) (times)
Shanghai Dazhong Public Utilities Group Co Ltd (1635)	Primarily engaged in (i) gas and supply; (ii) wastewater treatment; (iii) public infrastructure projects; (iv) investments, (v) transportation services; and (vi) financial services	1,761.0	3.74	0.18	1,632.9	3.47	0.16
Binhai Investment Company Limited (2886)	Principally engaged in (i) sales of piped natural gas; (ii) construction and gas pipeline installation services; (iii) gas passing through service; and (iv) value-added service	1,549.2	6.63	0.63	1,632.2	6.98	0.66
China Oil and Gas Group Limited (603)	Primarily engaged in (i) sales and distribution of natural gas and other related products; (ii) gas pipeline construction and connection; (iii) exploitation and production of crude oil and natural gas; and (iv) production and sales of coal-derived clean energy and other related products	1,014.6	12.57	0.25	980.8	12.15	0.24
Beijing Gas Blue Sky Holdings Ltd, formerly Blue Sky Power Holdings Limited (6828)	Primarily engaged in (i) trading and distribution of natural gas; (ii) city gas operation; and (iii) integrated clean energy and new energy business	932.2	9.43	0.61	864.0	8.74	0.56
		Maximum	12.57	0.63		12.15	0.66
		Minimum	3.74	0.18		3.47	0.16
		Average	8.09	0.42		7.84	0.41
The Company							
Based on the closing price on the Last Trading Day		1,896.0	10.70	0.93			
Based on the closing price on the Latest Practicable Date		1,572.0	8.87	0.77			
Based on the Offer Price		751.2	4.24	0.37			

**Notes:**

- For illustration purpose, the market capitalisation are calculated based on, where applicable, the closing price of the share of the respective Comparable Companies on the Last Trading Day and the Latest Practicable Date and the total number of issued shares based on the then latest monthly return of the subject listed company published on the website of the Stock Exchange.
- The P/E Ratio is calculated by dividing the market capitalisation as at the Last Trading Day and the Latest Practicable Date by the profit attributable to owners of the respective company according to their latest financial information.

3. The P/B Ratio is calculated by dividing their market capitalisation as at the Last Trading Day and the Latest Practicable Date by the net asset value attributable to owners of the respective company according to their latest financial information.

It is noted from the above table that the Comparable Companies recorded P/E Ratio as at the Last Trading Day between approximately 3.74 times to 12.57 times with an average of approximately 8.09 times. The Comparable Companies recorded P/E Ratio as at the Latest Practicable Date between approximately 3.47 times to 12.15 times with an average of approximately 7.84 times. The Company's P/E Ratio based on the Offer Price would be approximately 4.24 times which is within the range but lower than the average of the P/E Ratio as at the Last Trading Day and the Latest Practicable Date of the Comparable Companies.

The P/B Ratio as at the Last Trading Day of the Comparable Companies were between approximately 0.18 times to 0.63 times with an average of approximately 0.42 times. The P/B Ratio as at the Latest Practicable Date of the Comparable Companies were between approximately 0.16 times to 0.66 times with an average of approximately 0.41 times. The Company's P/B Ratio based on the Offer Price would be approximately 0.37 times which is within the range but lower than the average of the P/B ratio as at the Last Trading Day and the Latest Practicable Date of the Comparable Companies. As such, we consider the Offer Price to be not fair and reasonable.

## RECOMMENDATION

In summary, we have considered the following factors and reasons, in particular:

- (i) the Company recorded (i) increase in revenue of approximately 16.4% for FY2025 as compared with that for FY2024; (ii) increase in gross profit of approximately 20.2% for FY2025 as compared with that for FY2024 and gross profit margin has been relatively stable between 22.3% to 24.8% during FY2023 to FY2025; and (iii) net profits for FY2023 to FY2025 were increasing and the net profits recorded for FY2025 increased by approximately 20.2% as compared with that for FY2024, demonstrating that the Group's financial performance in recent years has been satisfactory
- (ii) the Offer Price represents discounts of approximately 52.21%, 60.38%, 51.62%, 44.94% and 36.01% to the closing prices of the Shares on the Latest Practicable Date and the Last Trading Day and the average closing prices of the Shares for the last 5, 10, and 30 consecutive trading days up to and including the Last Trading Day, respectively;

- (iii) the Offer Price represents discount of approximately 63.12% to the audited consolidated net asset value of the Group of approximately RMB1.50 per Share (equivalent to approximately HK\$1.75 per Share) as at 31 December 2025 and discount of approximately 61.47% to the unaudited consolidated net asset value of the Group of approximately RMB1.43 per Share (equivalent to approximately HK\$1.62 per Share) as at 30 June 2025 respectively;
- (iv) the Company's P/E ratio and P/B ratio based on the Offer Price are within the range but lower than the average of the P/E and P/B ratio the Comparable Companies as at the Last Trading Day and the Latest Practicable Date;
- (v) the closing price of the Shares increased significantly in the Second Review Period such that the Offer Price represents a discount of approximately 17.1% to the average closing price of Shares during the Second Review Period and substantially below the closing Share price of HK\$1.31 as at the Latest Practicable Date;
- (vi) the historical trading liquidity of the Shares has been generally low in the open market during the First Review Period, but both price and liquidity has increased since the publication of the Joint Announcement during the Second Review Period which may be attributable to market reactions to the Offer and/or prospects of the Group being controlled by the Offeror after the Offer, such level of liquidity and/or price may or may not be sustainable after the Offer,

Accordingly, we are of the view that the Offer Price is not attractive, rendering the Offer not fair and reasonable so far as the Offer Shareholders are concerned after taking into account the above principal factors and reasons as a whole. We recommend the Independent Board Committee to advise, and we ourselves advise, the Offer Shareholders not to accept the Offer.

Nevertheless, the Offer Shareholders should also note that (i) there is no guarantee that the Share price will sustain at a level above the Offer Price and/or after the Offer Period; and (ii) the Offer Shareholders (regardless to their amount of shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price when they are going to dispose of their partial or entire holdings. In such circumstances, the Offer might provide an exit alternative for the Offer Shareholders who would like to realise their investments in the Shares at the Offer Price of HK\$0.626. For those Offer Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open

market, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than that receivable under the Offer. For those Offer Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

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



**Kim Chan**

*Director*

*Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 20 years of experience in corporate finance industry.*