

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

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

**(Stock Code: 01940)**

*Executive Directors:*

Mr. SONG Changjiang (*Chairman*)

Mr. SUN Changhuan

*Non-executive Directors:*

Mr. ZHANG Wenli

Ms. NG Shuk Ming

*Registered office:*

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent Non-executive Directors:*

Mr. SIU Chi Hung

Mr. XIAO Huan Wei

Ms. LI Chun Elsy

*Head office and principal place of*

*business in Hong Kong:*

Unit 2704A, 27th Floor

Nine Queen's Road Central

9 Queen's Road Central

Hong Kong

4 May 2026

*To the Independent Shareholders*

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY  
FIRST SHANGHAI SECURITIES LIMITED FOR AND ON BEHALF OF  
TANGDE GAS CO., LIMITED TO ACQUIRE ALL THE ISSUED SHARES  
OF  
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**

**Reference is made to the Joint Announcement.**

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.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the letter from First Shanghai containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer, in particular, as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 of the Takeovers Code, 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 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.

Nuada Limited has been appointed pursuant to Rule 2.1 of the Takeovers Code 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. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

## **PRINCIPAL TERMS OF THE OFFER**

First Shanghai is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

**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 Sales Shares equals HK\$0.626).

The Offer is subject to the fulfillment of the Condition as set out under the paragraph headed "Condition to the Offer" in this letter.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document. Save for the outstanding dividend in the sum of RMB50,671,500 declared for the financial years ended 31 December 2018 and 2019 but not yet paid to the Vendor which is the subject of the Deed of Assignment, the Company has confirmed that as at the Latest Practicable Date: (i) it has not declared any dividend and/or other distribution and/or other return of capital which remains unpaid; and (ii) it does not intend to declare, make or pay any dividend and/or other distribution and/or other return of capital before the closing or lapse of the Offer (whichever is earlier).

As at the Latest Practicable Date, the Company has 1,200,000,000 Shares in issue. The Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. There is no treasury Share in issue.

### **Irrevocable and unconditional undertaking not to accept the Offer**

Following the Share Purchase Completion, HK Huitang Zhihe continues to be interested in the 431,904,000 Shares, representing approximately 35.99% of the entire issued share capital of the Company. HK Huitang Zhihe has irrevocably and unconditionally undertaken to the Offeror by way of the Letter of Undertaking that (i) it shall not tender any of the Shares held by it for acceptance of the Offer; and (ii) it shall not transfer, pledge, dispose of or otherwise create any encumbrances in respect of any of the Shares held by it from the date of its undertaking until the close of the Offer. There is no circumstance whereby the irrevocable undertaking would cease to be binding.

HK Huitang Zhihe had also entered into the Deed of Warranty dated 28 January 2026 with the Offeror whereby it had given an irrevocable and unconditional warranty that (a) there was no outstanding options, warrants, derivatives or securities which were convertible or exchangeable into the Shares and the Company had not entered into, and would not enter into, any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into the Shares and (b) there was no, and there would be no, agreement or arrangement (i) to offer, allot, issue, create, redeem or repurchase (conditionally or unconditionally) any of the Shares; and/or (ii) which might otherwise affect the number of the Shares, among others, which should remain true, accurate and complete in all respects and not misleading as at the date of the Deed of Warranty, and would continue to be so on each day up to and including the date of the Share Purchase Completion.

Following the Share Purchase Completion, the Offeror and HK Huitang Zhihe, each owning more than 20% of the entire issued share capital of the Company, are presumed to be acting in concert with each other under class (1) of the presumptions of acting in concert under the Takeovers Code unless the contrary is established (the “**AIC Presumption**”).

The Offeror has, through its Hong Kong legal advisers, applied to the SFC for rebuttal of the AIC Presumption and the Executive has ruled that the AIC Presumption is rebutted. Accordingly, the Offeror and HK Huitang Zhihe are not presumed to be acting in concert with each other under class (1) of the definition of “acting in concert” under the Takeovers Code.

### **Condition to the Offer**

The Offer is conditional on the number of Shares in respect of valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the date on which the Offer close (or such later time or date as the Offeror may, subject to the Takeovers Code, decide), together with the Shares already owned by the Offeror and parties acting in concert with it and acquired or agreed to be acquired before or during the offer period, resulting in the Offeror and parties acting in concert with it holding in aggregate more than 50% of the voting rights of the Company.

This condition cannot be waived. If the condition cannot be fulfilled by the First Closing Date, the Offer will lapse unless extended.

In accordance with Rule 15.1 of the Takeovers Code, the Offer will initially be open for acceptance for at least 21 days after the date of the Composite Document. Where the Offer becomes or is declared unconditional (whether as to acceptances or in all respects), it shall remain open for acceptance for not less than 14 days thereafter.

Under the Takeovers Code, the Offeror will issue an announcement in relation to any revision, extension or lapse of the Offer or the fulfilment of the condition to the Offer in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the despatch of the Composite Document (or such later date to which the Executive may consent). **However, the Offeror does not intend to extend the offer period if the condition to the Offer is not met by the first closing date and the Offer shall then lapse.**

#### **Further Details of the Offer**

Further details of the Offer, including, among other things, its extension to the Overseas Shareholder(s), information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from First Shanghai” and Appendix I “Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

#### **INFORMATION ON THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the business of production and supply of industrial gases in the PRC.

Set out below is certain financial information from the audited consolidated results of the Group for each of the two financial years ended 31 December 2025 and 2024, as extracted from the annual report of the Company for the year ended 31 December 2025.

	<b>For the year ended or as at 31 December</b>	
	<b>2025</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
<b>Revenue</b>	1,529,116,494	1,313,611,769
<b>Gross profit</b>	378,951,889	315,246,834
<b>Profit before income tax</b>	201,787,813	159,453,279
<b>Profit after income tax</b>	156,266,337	130,046,644
<b>Net assets</b>	1,796,221,035	1,643,904,226

Further financial information and general information in relation to the Group are set out in Appendix II “Financial Information of the Group” and Appendix IV “General Information of the Group” to this Composite Document.

In deciding whether or not to accept the Offer, the Independent Shareholders should consider the qualified opinion issued by the independent auditors of the Company on the consolidated financial statements of the Group for the year ended 31 December 2023.

The following is an extract of the independent auditor’s report on the Group’s financial statements for the years ended 31 December 2023:

**“Qualified opinion**

*In our opinion, except for the possible effect of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 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. 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 this 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 our audit of the consolidated financial statements for the year ended 31 December 2020, we have obtained knowledge relating to the Loan Transactions and the Note Investment (“**our Knowledge**”) including:

- (i) the Group engaged in the production and 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 this report, there were no repayments from the Borrowers and the balance due from Company D was outstanding.

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

Given our Knowledge obtained in the audit relating to the Loan Transactions and the Note Investment, we have 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. We have communicated our concerns to the Board and requested explanations from the Board on how our 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, 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 the Note Investment. There were no alternative audit 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 2022 because we 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 our 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. Our 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.*

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

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 issued by Auditor 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.

For further information, please refer to the section headed “Financial information of the Group” under the “Letter from the Independent Financial Adviser” in this Composite Document.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before the Share Purchase Completion; and (ii) immediately after the Share Purchase Completion, as at the Latest Practicable Date and before the Offer is made:

Name of Shareholder	Immediately before the Share Purchase Completion		Immediately after the Share Purchase Completion, as at the Latest Practicable Date and before the Offer is made	
	Number of		Number of	
	Shares	Approx. %	Shares	Approx. %
The Vendor (Note 1)	468,096,000	39.01	–	–
HK Huitang Zhihe (Note 2)	431,904,000	35.99	431,904,000	35.99
The Offeror	–	–	468,096,000	39.01
Parties acting in concert with the Offeror (Note 3)	–	–	–	–
Public Shareholders	<u>300,000,000</u>	<u>25.00</u>	<u>300,000,000</u>	<u>25.00</u>
	<u>1,200,000,000</u>	<u>100.00</u>	<u>1,200,000,000</u>	<u>100.00</u>

*Notes:*

- (1) The Vendor is majority-owned by Huang He which is wholly-owned by China Infrastructure Partners, L.P., whose general partner is CITP GP I Ltd., 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 of the Stock Exchange (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.
- (2) HK Huitang Zhihe is wholly-owned by SH Huitang Zhihe which in turn is wholly-owned by HBIS Company, which in turn is directly and indirectly owned by HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel as to approximately 4.28%, 41.29% and 19.30%, respectively, and HBIS Chengsteel, HBIS Hansteel and HBIS Tangsteel are owned by HBIS as to 100%, 100% and 100%, respectively. As such, HBIS through its subsidiaries together indirectly holds approximately 64.87% equity interest in HBIS Company. By virtue of the SFO, each of SH Huitang Zhihe, HBIS Company, HBIS Hansteel and HBIS was deemed to be interested in the same number of Shares held by HK Huitang Zhihe.
- (3) Following the Share Purchase Completion, HK Huitang Zhihe and the Offeror are presumed to be acting in concert under class (1) of the presumptions of acting in concert under the Takeovers Code. The Offeror has, through its Hong Kong legal advisers, applied to the SFC for rebuttal of the AIC Presumption and the Executive has ruled that the AIC Presumption is rebutted. Accordingly, the Offeror and HK Huitang Zhihe are not presumed to be acting in concert with each other under class (1) of the definition of “acting in concert” under the Takeovers Code.
- (4) No Director holds any Share.
- (5) Shareholding percentages may not add up to 100% due to roundings.

## **INFORMATION ON THE OFFEROR**

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from First Shanghai” and Appendix III “General Information of the Offeror” to this Composite Document.

## **INTENTION OF THE OFFEROR IN RELATION TO THE GROUP**

Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” in the “Letter from First Shanghai” to this Composite Document and the following disclosure as extracted therefrom:

*“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 section 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.”*

The Board has noted the intentions of the Offeror in respect of the Group and its employees and will render cooperation and support to the Offeror.

### **Public Float and Maintaining the Listing Status of the Company**

As stated in the “Letter from First Shanghai”, 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 places 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 dealings in the Shares; and

(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.

## **RECOMMENDATION**

Your attention is drawn to (i) "Letter from First Shanghai" as set out on pages 14 to 30 of this Composite Document, (ii) "Letter from the Independent Board Committee" as set out on pages 45 to 46 to this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer and (iii) "Letter from the Independent Financial Adviser" as set out on pages 47 to 83 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

## **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board  
CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

A handwritten signature in black ink, appearing to be 'Song Changjiang', written in a cursive style.

**SONG Changjiang**  
*Chairman and Executive Director*