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CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

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

(Stock Code: 1940)

INSIDE INFORMATION

KEY FINDINGS OF INDEPENDENT INVESTIGATION

This announcement is made by CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s (i) announcement dated 31 March 2021 (the “**31 March Announcement**”) in relation to, among other matters, the delay in the publication of the 2020 Annual Results, the Investigation on the Transactions to address the relevant matters raised by the Company’s then auditors and suspension of trading in the shares of the Company; (ii) holding announcement dated 11 May 2021 in relation to, among others, the suspension of duties of Mr. David T Chen (“**Mr. CHEN**”) (an executive Director and the chairman of the Board) pending outcome of the Investigation; (iii) announcement dated 28 May 2021 in relation to the Resumption Guidance for the resumption of trading in the shares of the Company (the “**28 May Announcement**”); (iv) announcement dated 24 June 2021 in relation to the quarterly update on suspension of trading in the shares of the Company (the “**24 June Announcement**”); (v) announcement dated 1 September 2021 in relation to, among other matters, the delay in the publication of the 2021 Interim Results; (vi) announcement dated 30 September 2021 in relation to the quarterly update on suspension of trading in the shares of the Company; (vii) announcement dated 3 December 2021 in relation to change of auditors (the “**3 December Announcement**”); and (viii) announcement dated 24 December 2021 in relation to the quarterly update on suspension of trading in the shares of the Company. Capitalised terms used herein shall have the same meanings as defined in the said announcements unless otherwise stated herein.

BACKGROUND

As disclosed in the 31 March Announcement and the 24 June Announcement, on 24 March 2021, the Company's then auditors, PricewaterhouseCoopers ("**PwC**") notified the Board and the Audit Committee that, inter alia, they required additional information in relation to (i) three overdue receivables of the Company; and (ii) the investment in loan notes by the Company (collectively, the "**Transactions**") but had not been able to obtain the necessary information and evidence for them to determine whether the Transactions had been properly accounted for and disclosed by the Company in the consolidated financial statements for the year ended 31 December 2020, and urged the Board to provide further information in relation to the Transactions. On 24 March 2021, the Investigation Committee then comprising certain Directors including all the independent non-executive Directors was established to, among other things, carry out an independent investigation on the Transactions (the "**Investigation**") and to take actions where it considers necessary and fit for the purpose of the Investigation. On 12 April 2021, a Big 4 accounting firm that is not the Company's auditor (the "**Forensic Accountant**") was appointed as the independent forensic accountant to assist the Investigation Committee in conducting the Investigation.

As disclosed in the 28 May Announcement, on 27 May 2021, the Company received a letter from the Stock Exchange containing the Resumption Guidance, among which, the Company is required to, among other things, conduct an appropriate independent investigation into the Transactions, announce the investigation findings, assess and announce the impact on the Company's business operation and financial position and take appropriate remedial actions.

On 22 July 2021, having considered the then state of findings from the Investigation, and with agreement from PwC, the Investigation Committee decided to, and did expand the scope of the Investigation being conducted by the Forensic Accountant to cover certain business activities of the Group conducted by Mr. CHEN and Mr. Bai Xueping ("**Mr. BAI**") (the chief financial controller of the Company) for the period between 1 January 2020 and 30 April 2021 (the "**Expanded Investigation**", together with the Investigation, the "**Independent Investigation**").

As disclosed in the 3 December Announcement, given the Investigation was ongoing, the Company and PwC were unable to reach consensus on the timeline for completion of the FY2020 Audit. PwC resigned as auditors of the Company with effect from 29 November 2021. The Transactions also represent matters which PwC considered should be brought to the attention of the Company's shareholders and creditors, which are also referred to in PwC's resignation letter dated 29 November 2021 (the "**Auditors Resignation Letter**").

On 18 February 2022, two most updated draft reports on the Independent Investigation (“**Draft Investigation Reports**”) were issued by the Forensic Accountant to the Investigation Committee.

On 9 March 2022, following its discussions with other members of the Board, the Investigation Committee delivered, for the Board’s consideration and implementation, its finalised recommendations (the “**SIC Recommendations**”) based on the Draft Investigation Reports.

THE INDEPENDENT INVESTIGATION

Scope of the Investigation and the Expanded Investigation

The Investigation

The primary scope of the Investigation is to conduct an independent fact-finding in respect of the Transactions, so to help understand the commercial substance and business rationale behind the Transactions.

The Expanded Investigation

The primary scope of the Expanded Investigation is focussed on the following for a review period of 1 January 2020 to 30 April 2021:

- (i) understanding the involvement of Mr. CHEN (as an executive Director and the chairman of the Board) and Mr. BAI (as the chief financial controller of the Company) in the management of the Group, including as to day-to-day business operations, investment or fund-raising activities, chop and contract management processes; and
- (ii) conducting sample testing to investigate whether Mr. CHEN and Mr. BAI had engaged in conduct which overrode the Group’s existing corporate governance mechanisms.

Major procedures of the Investigation and the Expanded Investigation

Under instruction from the Investigation Committee, the major investigation procedures conducted by the Forensic Accountant included, but not limited to, the following:

The Investigation

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

The Expanded Investigation

- (i) obtaining and reviewing relevant documents and correspondence of sample disbursement transactions related to daily business activities, investment expenditure and fund-raising activities of the Company and selected subsidiaries of the Company (including but not limited to the internal records of the Group, bank documentation, contracts and payment proof) to understand the rationale for entering into the identified transactions, the approval procedures and whether such transactions were carried out accordingly;
- (ii) obtaining and reviewing the internal approval and use of the official seal relating to the sample contracts;
- (iii) conducting independent credit record check on the selected subsidiaries of the Company; and
- (iv) conducting interviews with relevant personnel of the Group to understand, among others, the circumstances leading to the entering of the sample transactions, including approval procedures.

SUMMARY OF THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

Background

1. According to the letter dated 24 March 2021 (the “**PwC Letter**”) and the Auditors Resignation Letter both issued by PwC to the Board and the Audit Committee, since January 2021, PwC had been discussing with the management of the Company about the Transactions as follows:
 - (i) Transaction 1 — RMB50,000,000 (approximately HK\$57,877,069) advanced by the Company to Aevitas Capital Management Limited (“**Aevitas**”) on 7 December 2020 pursuant to a loan agreement dated 30 November 2020 (the “**Loan Agreement 1**”) signed by the Company as lender and Aevitas as borrower, purporting to set out the terms for a loan of RMB50,000,000 from the Company to Aevitas at an interest rate of 2% per annum, repayable on 30 December 2020;
 - (ii) Transaction 2 — RMB53,522,000 (approximately HK\$61,953,930) advanced by the Company to Orbitronic Global Development Co., Limited (“**Orbitronic**”) on 10 December 2020, pursuant to a loan agreement dated 1 December 2020 (the “**Loan Agreement 2**”) signed by the Company as lender and Orbitronic as borrower, purporting to set out the terms for a loan of RMB53,522,000 from the Company to Orbitronic at an interest rate of 2% per annum, repayable on 30 December 2020;

- (iii) Transaction 3 — RMB14,478,000 (approximately HK\$16,758,884) advanced by the Company to Unite Victory International Trading Limited (“**Unite Victory**” and together with Aevitas and Orbirtronic, the “**Borrowers**”) on 10 December 2020, pursuant to a loan agreement dated 1 December 2020 (the “**Loan Agreement 3**” and together with Loan Agreement 1 and Loan Agreement 2, the “**Loan Agreements**”) signed by the Company as lender and Unite Victory as borrower, purporting to set out the terms for a loan of RMB14,478,000 from the Company to Unite Victory at an interest rate of 2% per annum, repayable on 30 December 2020; and
- (iv) Transaction 4 — HK\$80,000,000 (approximately RMB66,400,000) paid by the Company on 28 January 2021 pursuant to a subscription agreement dated 18 January 2021 (the “**Investment Agreement**”) in respect of HK\$80,000,000 secured loan notes issued by Union Space Group Limited (“**Union Space**”) with a fixed return of 4.5% per annum, due on 17 December 2021 (the “**Investment**”).
2. On 29 December 2020, the shares of the Company (“**Shares**”) were listed on the Stock Exchange.
 3. According to the PwC Letter and the Auditors Resignation Letter, the management provided preliminary explanation to PwC that the Transaction 1, Transaction 2 and Transaction 3 were entered into in order to attract the counter-parties who intended to subscribe for the Shares during the IPO and Transaction 4 was entered into purely for the purpose of managing the Company’s free cash to earn a higher return and was not associated with Transactions 1 to 3.
 4. Having considered the then state of findings from the Investigation and with the agreement from PwC, the Investigation Committee decided to, and did expand the scope of the Investigation to cover, in particular, the daily operating, investment and fund-raising activities of the Company participated by Mr. CHEN and Mr. BAI between 1 January 2020 and 30 April 2021.

Findings of the Forensic Accountant

Based on the major investigative procedures as set out in the section headed “Major procedures of the Investigation and the Expanded Investigation” above, the Forensic Accountant has the following key findings:

Findings from the Investigation

1. Between 30 November 2020 and 1 December 2020, Mr. CHEN on behalf of the Company entered into the Loan Agreements with the Borrowers for the advancement of short term loans in an aggregate sum of RMB118,000,000 (the “**Loans**”).

2. On 7 December 2020, the Company transferred RMB50,000,000 from the RMB sub-account (the “**BOCM RMB Sub-Account**”) of a bank account held by the Company at the Bank of China, Macau Branch (the “**BOCM Account**”) to Aevitas. On 10 December 2020, the Company transferred RMB53,522,000 and RMB14,478,000 from the BOCM RMB Sub-Account to Orbitronic and Unite Victory, respectively.
3. The telegraphic transfers of the Loans from the BOCM RMB-Sub Account to each of the Borrowers were approved by Mr. CHEN and Mr. BAI (at the behest of Mr. CHEN).
4. The Loan Agreements were not tabled before the Board for discussion or approval. The Board had not approved the Loan Agreements. Mr. CHEN admitted that the Loan Agreements were entered into without the Board’s prior approval and any background check on the Borrowers and that no guarantee was provided as security for the Loans.
5. Mr. CHEN contended that the sum of RMB118,000,000 paid out from the BOCM RMB-Sub Account were dividends payable to China Gas Investors Ltd. (a controlling shareholder of the Company) (“**CGI**”) and were therefore funds belonging to CGI. Mr. CHEN had not sought consent from CGI in relation to the change of use of the said funds and the change of use of the said funds had not been approved in compliance with the articles of association of the Company (the (“**Articles**”). The Directors interviewed by the Forensic Accountant considered that the funds in the BOCM RMB-Sub Account were dividends payable to the shareholders of the Company and belonged to the Company and that any change of use of the funds in the BOCM RMB-Sub Account must comply with the provisions of the Articles and the relevant procedure of the Company.
6. The BOCM Account is held in the name of and is owned by the Company. The BOCM RMB Sub-Account was set up to hold dividends payable to the shareholders of the Company before completion of the IPO. In the financial statements of the Company published during the IPO and audited by PwC, the asset of the Company comprised the BOCM Account.
7. According to Mr. CHEN, the business rationale for making the Loans was to obtain confidence and good impression from the investors and fulfil their financial needs, so as to attract investors to make investment in the Company at the IPO and the making of the Loans had no direct connection with the IPO. According to Mr. CHEN, it was after the IPO that one of the underwriters of the IPO notified him that a subscriber who subscribed for the Shares for the aggregate sum of US\$18,000,000 at the IPO is the sole director and sole shareholder of Aevitas, the sole director and sole shareholder of Union Space, and a former director and shareholder of Unite Victory. Based on the IPO share allocation list, such subscriber subscribed for 13,138,000 Shares.

8. Notwithstanding the fact that the Borrowers were three different companies, the Borrowers were potentially associated with one another given that the form and content of the Loan Agreements were highly similar and that certain direct and indirect connections among the Borrowers were identified through desktop internet searches conducted by the Forensic Accountant.
9. On 18 January 2021, Mr. CHEN on behalf of the Company entered into the Investment Agreement with Union Space in respect of the Investment in the sum of HK\$80,000,000. On 28 January 2021, the Company paid HK\$80,000,000 to Union Space via a bank account maintained with China Construction Bank (Asia) Corporation Limited (“CCB”) (the “CCB Account”) which held the IPO proceeds. The Investment Agreement was not tabled before the Board for discussion and the Investment was not approved by the Board, contrary to the Company’s policy on financial management and control. The telegraphic transfer of the Investment from the CCB Account was approved by Mr. CHEN and Mr. BAI (at the behest of Mr. CHEN).
10. In a board preparatory meeting held on 13 January 2021, Mr. CHEN made brief references to potential investments with the IPO proceeds. As the information provided by Mr. CHEN was limited, the Directors who participated in the meeting required that the use of the IPO proceeds must comply with laws and regulations and save for a portion of the IPO proceeds allocated for use for the Company’s Hong Kong office, the remaining IPO proceeds should be remitted back to Mainland China and be applied for the purposes set out in the IPO prospectus of the Company. According to the Company’s policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. No resolution was passed in such meeting in relation to the investment products proposed by Mr. CHEN.
11. According to Mr. CHEN, the purpose of the Investment was to earn a higher return. Mr. CHEN admitted that the Investment Agreement was entered into (i) contrary to legal advice he had obtained from the Company’s then legal advisers, and (ii) before any due diligence was conducted and before any security documents were obtained.
12. Mr. BAI expressed the view that he personally did not agree to the Transactions and suspected that the counterparties of the Transactions were potentially associated with one another, and that there was a possibility that the Investment Agreement was entered into for the purpose of expediting the repayment of the Loans. According to Mr. BAI, the telegraphic transfer was signed by him at the behest of Mr. CHEN.

13. On 31 March 2021, Mr. CHEN told a number of Directors that if the Company agreed to a “put option” agreement (the “**Proposed Option Agreement**”), Aevitas would procure immediate repayment of the Loans to the Company. Mr. CHEN alleged that the Proposed Option Agreement was proposed by Aevitas but to be entered into with a subscriber to the IPO in respect of not more than 100,000,000 Shares at an option price of HK\$1.5 per Share, with an exercise period of five to 31 days after the signing of the Proposed Option Agreement. The Proposed Option Agreement was in draft form and did not bear a signatory block for Aevitas or any known representative of Aevitas. Mr. CHEN did not proffer a reasonable explanation as to why Aevitas was willing to procure immediate repayment of all three loans if the Proposed Option Agreement were entered into. Mr. CHEN also did not provide relevant background information about the proposed counterparty. The Proposed Option Agreement was voted down by the Board.
14. The Forensic Accountant conducted an analysis of the top 38 investors in the international offering tranche of the IPO and found that as at 15 November 2021, ten of such investors (representing shareholdings of 96,178,000 Shares in aggregate) were potentially connected, of which:
 - (i) three investors (representing shareholdings of 36,110,000 Shares in aggregate) appeared to have direct connections with the counter-parties of the Transactions; and
 - (ii) seven investors appeared to have indirect connections with the counter-parties of the Transactions (representing shareholdings of 60,068,000 Shares in aggregate).

Findings from the Expanded Investigation

15. On 20 February 2021, the Company and Xijie'ai (Shanghai) Investment Management Co., Ltd. (“**Xijie'ai**”) entered into an agreement (“**Xijie'ai Agreement**”) whereby the Company agreed to reimburse Xijie'ai a sum of HK\$2,000,000 for certain expenses paid by Xijie'ai on behalf of the Company in relation to the preparation of the IPO. Mr. CHEN was involved in the signing of the Xijie'ai Agreement on behalf of the Company and for Xijie'ai.
16. On 7 April 2021, a sum of HK\$2,000,000 was paid to Xijie'ai via a bank account of the Company maintained with CCB.
17. Xijie'ai is a wholly-owned company established in the People's Republic of China on 9 May 2007 by OxyChina Limited (a company incorporated under the laws of the British Virgin Islands and is owned as to 70% by Mr. CHEN, 10% by Mr. BAI and by two independent third parties of the Company each holding 10%). The legal representative of Xijie'ai is Mr. CHEN.

18. According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. There are no documents (such as board meeting minutes or board resolutions) to support that the Xijie'ai Agreement was approved by the Board.
19. According to the Articles, a director who to his knowledge is, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or in any other case at the first meeting of the Board after he knows that he is or has become so interested. None of the supporting documents or representations provided by the Company to the Forensic Accountant shows that Mr. CHEN or Mr. BAI had declared his interest to the Board.
20. Save and except for the Xijie'ai Agreement entered into with Xijie'ai, the Expanded Investigation has not uncovered direct evidence by management override of Mr. CHEN and Mr. BAI.

Key limitations of the Independent Investigation

The Forensic Accountant encountered certain limitations (the "**Investigative Limitations**") during the investigation process which may have limited the extent of the Independent Investigation including the following:

- (i) The investigation is a private one without powers to compel assistance from potential witnesses including third parties to the Company. For example, Mr. CHEN and Mr. BAI had acceded to some but not all requests for assistance and interview. Where witnesses did provide assistance, the Forensic Accountant is not in a position to verify fully the accuracy or completeness of the assertions, information or records which have been provided by such witnesses.
- (ii) WeChat records provided to the Forensic Accountant by Group personnel were extracted in the form of screen shots with the owners of the relevant personal mobile devices having refused to provide the Forensic Accountant with access to such devices to enable independent data retrieval. Accordingly, the Forensic Accountant could not ascertain or verify the completeness of such extracted WeChat records.
- (iii) Findings about potential connections between the counterparties to the Transactions and subscribers to the IPO have been derived from researching publicly available records and the Forensic Accountant could not ascertain the completeness or accuracy of such information sources.

- (iv) Site visits conducted by the Forensic Accountant as part of the investigation were based on corporate addresses ascertained from researching publicly available records. Physical access to sites was restricted due to relevant on-site building security measures.
- (v) Some electronic data (for example, emails restored from backup) was provided by IT personnel of the Group upon screening by performing key word searches, and as such the completeness of such electronic data could not be verified by the Forensic Accountant.

OTHER MATTERS OF NOTE

In light of the key findings of the Independent Investigation as set forth in the section “Summary of the key findings of the Independent Investigation” above, and subject to the limitations of the Independent Investigation including those referred to in the section entitled “Key limitations of the Independent Investigation” above, the Board is of the view that the Independent Investigation has revealed that the Transactions and the Xijie’ai Agreement involved management override by Mr. CHEN and Mr. BAI.

VIEWS AND RECOMMENDATIONS OF THE INVESTIGATION COMMITTEE

The Investigation Committee has reviewed and considered the Draft Investigation Reports. Subject to the various limitations which Forensic Accountant encountered or observed as reported in the Draft Investigation Reports, the Investigation Committee is of the view that the Forensic Accountant had performed appropriate and comprehensive procedures in respect of the Independent Investigation.

The Investigation Committee considers that the Draft Investigation Reports are near-final draft reports, subject to, among other things, additional relevant and credible allegation, information or materials coming to light, and which Investigation Committee considers would warrant the Independent Investigation to be revisited or expanded. In light of the aforesaid, Investigation Committee has put forward the SIC Recommendations for consideration and implementation by the Board, including the following:

Recommendations for implementation within the immediate short term

Required management and Board clean-up

1. The resignation or removal of Mr. CHEN from any and all office held within the Group, including as a director of the Company.

Appointment of new chief financial officer

2. A new chief financial officer (“**CFO**”) at the listed company level be appointed to supervise the day-to-day operations of the Company and advise the relevant senior management of the Group with regard to compliance with the relevant regulatory requirements in all of the Company’s business endeavours.

Recommendations for implementation within the short to medium term

Enhance in-house support for corporate governance and compliance

3. Appointment of suitably qualified in-house company secretary and/or company counsel to the Company to help ensure that there is a qualified professional to supervise the Company’s compliance with the Listing Rules and the disclosure requirements thereunder.

Following the appointment of the new CFO, a professional team such as an appropriately qualified financial controller and other suitably qualified accounting professional or personnel who have relevant accounting and compliance experience that would report to him/her is to be appointed.

Appointment of other relevant professionals to help perfect the governance of the Group.

Implement enhancements to internal controls

4. Implementing enhancements to the Company’s internal controls designed to address and resolve all loopholes, weaknesses or issues identified in the course of the Company’s continuous efforts on reviewing and enhancing its internal controls, in particular, the following:
 - (i) strengthen the payment authorization processes, with new checks and balances to be installed to ensure due supervision, authorization and approval;
 - (ii) strengthen and supervise more tightly the dividend declaration, distribution and payment processes;
 - (iii) supervise material contract approval and signing, and segregate the approval and supervision thereof;
 - (iv) strengthen governance and operational control over the supervision of the office operations and the Group. In particular, (i) policies, protocols and supervision at the listed company level and the operational companies’ levels must be consistent with one another and allow for review and

monitoring of all applicable areas, (ii) there ought to be formal requirements for record-keeping, including the retention of relevant supporting materials; and (iii) adequacy of compliance with formal record-keeping requirements to be monitored on an ongoing or regular basis;

- (v) designate the roles and responsibilities within senior executive management and the Board as to particular areas of focus for each member or class of members, and which members are to have access to or be the designated owners or reviewers of particular classes of documents.

Other Board governance review/reform

- 5. Two individuals be appointed to take on the respective roles of the new chairman and new chief executive of the Company so as to enhance the Company's corporate governance structure at the most senior levels of the Company and bring the Company in line with code provision C.2.1 of the Corporate Governance Code under the Listing Rules.

It has been proposed that Mr. YAO Li (an executive Director) (“**Mr. YAO**”) be appointed the new chairman and Mr. LI Libing (“**Mr. LI**”) (the Group's operation director) be appointed the chief executive of the Company.

OPINIONS OF THE BOARD

The Board has reviewed the content and the findings of the Independent Investigation in the Draft Investigation Reports. The Board is of the view that the Independent Investigation has comprehensively investigated into the Matters raised by PwC and adequately addressed the concerns raised by PwC to the extent that is practicable, despite the limitations as set forth above, and that the content and the findings of the Independent Investigation in the Draft Investigation Reports are reasonable and acceptable.

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

Board, and that, in particular, the telegraphic transfers made pursuant to the Loan Agreement and the Investment Agreements were approved by Mr. CHEN and Mr. BAI themselves, the Board considers that there was management override by Mr. CHEN and Mr. BAI.

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

In relation to the financial position of the Group, (i) as the Company has not received any repayment (principal or interest) from any of the borrowers of the Loans on or after 30 December 2020 being the due date of the Loans, after taking into account the recoverability of the Loans, the Board has considered that it is unlikely for the Group to recover the Loans; and (ii) the Investment matured on 17 December 2021 but the Company has only received interest repayments in the aggregate sum of HK\$1.8 million (representing the 1st and 2nd interest instalments under the Investment). The principal and all accrued interest remain outstanding. Details of the financial position of the Group will be disclosed in the further announcement(s) of the Company on its 2020 Annual Results, 2021 Interim Results and the annual results of the Group for the year ended 31 December 2021.

Based on the SIC Recommendations, the Board has taken or will take the following actions:

1. The Board has resolved that Mr. CHEN is no longer suited to hold any position within the Group and steps will be taken to remove him from all offices he holds within the Group (including removing him as a Director).
2. The Board proposes to appoint Mr. YAO (an executive Director) as the chairman of the Board and the chairman of the Nomination Committee in place of Mr. CHEN and Mr. LI as the chief executive officer of the Company.
3. The Company will designate the roles and responsibilities within senior management and the Board as to particular areas of focus for each member or class of members, and which members are to have access to or be the designated owners or reviewers of particular classes of documents.
4. The Company will identify and appoint a suitably qualified accountant with the relevant professional experience as CFO at the listed company level of the Group and recruit a professional team that would report to him/her.

5. The Company will identify and appoint a suitably qualified in-house company secretary and has appointed a law firm in Hong Kong to act as company counsel to the Company to help ensure and supervise the Company's compliance with the Listing Rules and the disclosure requirements thereunder. Further, the Company will engage other relevant professionals, as and when required, to help perfect governance of the Group.
6. The Company has engaged an internal control consultant to review the Group's internal control systems and procedures in response to the concerns identified during the Independent Investigation. The Company has implemented and will continue to enhance its internal controls measures to address and resolve all issues identified in the course of the Company's continuous efforts on reviewing and enhancing its internal controls.
7. The Company has appointed a compliance director to ensure the Company's compliance with the Listing Rules, corporate governance and all applicable laws, rules, codes and guidelines and to provide regular trainings for management personnel of the Group in this regard.
8. The Company has implemented measures to strengthen its payment authorization processes, with new checks and balances to be installed to ensure due supervision, authorization and approval.
9. The Company has implemented measures to segregate the approval and supervision process for material contract approval and signing.
10. The Company will adopt a dividend policy to strengthen and supervise more tightly its dividend declaration, distribution and payment processes, including maintaining appropriate records in relation thereto; and strengthen board approval, disclosure and notification to shareholders (i.e. all public and substantial shareholders).
11. The Company has implemented measures to strengthen its governance and operational control over the supervision of its office operations and the Group.
12. The Company has implemented and will continue to enhance the measures on declaration of conflict of interests by directors and senior management of the Group and will implement checks and balances at the Company and subsidiary levels and enhance and monitor systems and controls designed towards preventing undetected abuse of power by any future director, chief executive officer and/or other senior management.
13. The Company will continue to expend efforts on all available methods and to exercise its rights in relation to the recovery of the defaulting Loans and Investment.

LATEST STATUS OF THE TRANSACTIONS

Each of the loans under the Loan Agreements has become due. As at the date of this announcement, the Company has not received any repayment (principal or interest) from any of the Borrowers.

The Investment has matured. As at the date of the announcement, the Company had only received interest repayments in the aggregate sum of HK\$1,800,000 (representing the 1st and 2nd interest instalments). The principal and all accrued interest remain outstanding.

The Board is seeking legal advice and will consider all necessary and appropriate legal actions to recover all outstanding sums due under the Transactions.

BUSINESS UPDATE

The Group principally engages in the production and supply of both pipeline and liquefied industrial gas in the Hebei Province of the PRC. The Group also engages in the supply of liquefied natural gas and provision of gas transmission service.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects. The Board will continue to assess and monitor the impact of the suspension of trading on the operations and financial performance of the Company.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:33 a.m. on 25 March 2021 pending the publication of the 2020 Annual Results by the Company and will remain suspended until further notice pending the Company's fulfilment of the Resumption Guidance.

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

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

By Order of the Board
CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.
YAO Li
Vice chairman and Executive Director

Hong Kong, 23 March 2022

As of the date of this announcement, the Board comprises: (1) Mr. David T CHEN (duties suspended), Mr. YAO Li and Ms. GAO Guimin as the executive Directors; (2) Mr. ZHANG Aimin, Mr. LAI Yui and Ms. NG Shuk Ming as the non-executive Directors; and (3) Mr. SIU Chi Hung, Mr. XIAO Huan Wei and Ms. LI Chun Elsy as the independent non-executive Directors.