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Zhonghua Gas Holdings Limited
(中華燃氣控股有限公司)

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8246)

PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 2 November 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$97,800,000.

Completion is subject to the fulfilment or waiver (as the case maybe) of the Conditions Precedent set out in the Subscription Agreement, which include, among other things, the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares. As at the date of this announcement, the Company has a total of 3,622,136,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$0.27 per Conversion Share and assuming full conversion of the Convertible Bonds took place, the Convertible Bonds will be convertible into 362,222,222 Conversion Shares, representing approximately 10.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.09% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate and no Shareholders' approval is therefore required.

The gross proceeds from the Subscription will be HK\$97,800,000 and the net proceeds of total HK\$97,500,000 from the Subscription are intended to be used as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group as agreed between the Subscriber and the Company.

GEM LISTING RULES IMPLICATION

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 23 June 2020, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the total number of the issued Shares of the Company on 23 June 2020. As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 722,427,200 Shares pursuant to the General Mandate. It is intended that the Convertible Bonds and the Conversion Shares will be issued under the General Mandate. Upon full exercise of the conversion rights attaching to the Convertible Bonds, approximately 50% of the General Mandate will be utilised.

No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription Agreement is subject to the fulfilment or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF THE CONVERTIBLE BONDS

On 2 November 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$97,800,000. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement

Date: 2 November 2020

Parties

- (a) the Company, being the Issuer; and
- (b) the Subscriber

Save that Mr. Hu Yishi (a substantial shareholder of Kai Yuan (the ultimate holding company of the Subscriber) holding 10.17% of its entire share capital, the Shareholder of approximately 28.73%, 1,040,640,000 Shares, of the entire issued share capital of the Company through direct or indirect interests, and an executive Director of the Company) and Ms. Lin Min, Mindy (the spouse of Mr. Hu Yishi and therefore deemed to be holding 10.17% of the entire share capital of Kai Yuan, the Shareholder of approximately 28.73%, 1,040,640,000 Shares, of the entire issued share capital of the Company through direct or indirect interests, and an executive Director of the Company) are connected persons (as defined in the GEM Listing Rules) of the Company, to the best of the Directors' knowledge, information and belief, the Subscriber and the ultimate beneficial owners of the ultimate holding company of the Subscriber are Independent Third Parties and not connected with the Company and its connected persons.

Conditions Precedent to the Subscription Agreement

The obligation of the parties hereto to effect Completion shall be conditional upon:

- (a) the GEM Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares, and such approval not having been revoked; and
- (b) any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong or elsewhere (including but not limited to the Stock Exchange) in favour of the Company and/or the Subscriber for the Subscription Agreement and the transactions contemplated hereunder having been obtained, and such approval, consent and/or waiver not having been revoked.

The Company shall use its best endeavours to procure the fulfilment of all the Conditions Precedent. If any of the conditions precedent above have not been fulfilled on or before 30 November 2020 (or such later date as the parties hereto may agree in writing), then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party shall have any claim against or liability or obligation to the other party under the Subscription Agreement, save for any antecedent breaches.

Completion

Completion shall take place on the date falling on the 2nd Business Day following the date on which the above conditions are fulfilled (or such other time, place and date as the Company and Subscriber hereto may agree), in any event should not be later than 30 November 2020.

Principle terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal Amount:	HK\$97,800,000
Maturity Date:	the third anniversary of the date of execution of the Instrument
Issue Price:	100% of the principal amount of the Convertible Bonds
Interest Rate:	eight per cent. (8%) per annum accrued on a daily basis of a 365-day year and payable by the Company on or before the last day of every six (6) months during the period from and including the date on which the Convertible Bond is first issued up to and including the Maturity Date
Restrictions on the ability of the Company to issue further securities after the issue of the Convertible Bonds:	i. not to make any issue, grant or distribution or take any other action or conduct any transactions if the effect thereof would be that on the exercise of the Conversion Rights it would but for in accordance with the Conditions be required to issue Shares at a discount to their nominal value or to adjust the Conversion Price to a level below the nominal value of the Shares;

- ii. if an offer is made to the Shareholders (or such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire all or a proportion of the Shares, as soon as practicable, to give notice of such offer to the Bondholder and ensure that a similar offer is extended in respect of the Convertible Bonds or in respect of any Shares issued on conversion of the Convertible Bonds during the period of the offer;
- iii. not to conduct the following:
 - (a) issue any Shares or securities, or pay up any of the aforesaid, by way of capitalisation of profits or reserves;
 - (b) offer to Shareholders new Shares for subscription by way of rights, or grant to holders of Shares any options, warrants or other rights to subscribe or purchase any Shares, save and except where such issue or grant is made at the total effective consideration per Share of HK\$0.54 or more;
 - (c) issue for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, save and except where such issue is made at the total effective consideration per Share of HK\$0.54 or more;
 - (d) issue for cash any Shares or any other equity or debt securities, save and except (i) for issue of any Shares pursuant to options already granted as at the date of the execution of the Instrument under properly adopted share option scheme in compliance with the GEM Listing Rules, and (ii) where such issue is made at the total effective consideration per Share of HK\$0.54 or more;

- (e) issue any Shares or any other equity or debt securities for acquisition of assets, save and except where such issue is made at the total effective consideration per Share of HK\$0.54 or more;
- (f) grant any options under any share option scheme(s) adopted by the Company; and
- (g) any transactions that might lead to any adjustment of the Conversion Price pursuant to the Conditions

unless prior written consent of the Bondholder has been obtained; and

- iv. save and except for the Company obtaining loans from any of its substantial shareholders (as defined in the GEM Listing Rules) or companies wholly-owned by such substantial shareholder (provided that such loans must be made subordinated (including but not limited to the right to repayment and priority) to the Convertible Bonds), not to, and shall procure that its subsidiaries not to, incur any Indebtedness if on the date of such incurrence, the consolidated Indebtedness of the Group (including the proposed Incurrence and any amount outstanding under the Convertible Bonds) exceeds HK\$100,000,000.

Conversion Price:

The initial Conversion Price of HK\$0.27 represents:

- i. a premium of approximately 8.00% over the closing price of HK\$0.2500 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- ii. a premium of approximately 8.09% over the average of the closing prices of HK\$0.2498 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement;

- iii. a premium of approximately 8.04% over the average of the closing prices of HK\$0.2499 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Subscription Agreement; and
- iv. a premium of approximately 87.50% over the unaudited net assets value per Share of approximately HK\$0.1440 as at 30 June 2020.

The Conversion Price was determined by the Company with reference to the recent market price performance of the Shares.

Adjustments to
Conversion Price:

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the Conditions upon the occurrence of, among other things, the following events:

- i. consolidation, subdivision or re-classification of the Shares;
- ii. capitalisation of profits or reserves;
- iii. capital distribution to Shareholders;
- iv. an offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares at a price which is less than the Market Price at the date of the announcement of the terms of the offer or grant;
- v. an issue wholly for cash of any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares and the total effective consideration per Share initially receivable for such securities is less than of the Market Price at the date of the announcement of the terms of issue of such securities;

- vi. modification on the rights of conversion or exchange or subscription attached to any such securities as are mentioned in paragraph (v) above so that the total effective consideration per Share initially receivable for such securities shall be less than the Market Price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- vii. an issue wholly for cash of any new Shares at a price per Share which is less than the Market Price at the date of the announcement of the terms of such issue; and
- viii. an issue of new Shares for the acquisition of asset at a total effective consideration per Share which is less than the Market Price at the date of the announcement of the terms of such issue.

Conversion Shares:

362,222,222 Conversion Shares will be allotted and issued upon full conversion of the Convertible Bonds, representing approximately 10.00% of the entire issued share capital of the Company and approximately 9.09% of the entire issued share capital as enlarged by the issue of the Conversion Shares.

Conversion Rights and
conversion period:

Bondholders shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$0.27 per Conversion Share from the date of the execution of the Instrument up to and including the Maturity Date.

Conversion Restrictions:

Bondholders shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$0.27 per Conversion Share, subject to compliance with the procedures set out in the Conditions and any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds shall be converted.

No Bondholder shall exercise any Conversion Rights and the Company shall not issue any Conversion Share in the event that the exercise of such Conversion Rights by that Subscriber will cause: (1) that a Bondholder and/or parties acting in concert (as defined in the Takeovers Code) with it being required by regulatory authority to make a mandatory general offer to other Shareholders in accordance with the Takeovers Code; and/or (2) the public float of the Company being less than 25% of its issued share capital under Rule 11.23 of GEM Listing Rules.

Ranking of the
Conversion Shares:

The Conversion Shares to be issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects among themselves and with all other issued Shares at the date of conversion and be entitled to all dividends and distributions which may be declared made or paid after the date of conversion.

Voting Rights:

A Bondholder will not be entitled to attend or vote at any general meeting of the Company by reason only of it being a Bondholder.

Status of
the Convertible Bonds:

The Convertible Bonds constitute senior, direct, unconditional, unsubordinated and unsecured obligations of the Company and rank *pari passu* and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Listing:

No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Transferability:

Subject to the GEM Listing Rules and the terms of the Convertible Bonds, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by the Subscriber to any party.

Redemption on maturity:	Unless previously converted or purchased or cancelled as provided in the Instrument, the Company shall redeem each Convertible Bond which remains outstanding after 4:00 p.m. on the Maturity Date at 100% of the principal amount.
Early redemption:	The Company will not be entitled to redeem any part of the outstanding principal amount of the Convertible Bonds before the Maturity Dates.
Occurrence of events of Default:	<p>If any of the events specified below occurs, the Bondholder may give a written notice in respect of the Convertible Bonds to the Company declaring the Convertible Bonds it holds to be immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality, and from the date of such notice until the date of full payment, the Company shall not approve or allow payment of any kind to the holders of any debt or equity securities ranking <i>pari passu</i> or subordinating to the Convertible Bonds, including without limitation the payment of interest, repayment of principal or the declaration or payment of dividend except the payment to the Bondholder pursuant to the Conditions:</p> <ul style="list-style-type: none"> (a) the Company fails to pay any amount of principal in respect of the Convertible Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Convertible Bonds on the due date for payment thereof; (b) the listing of the Shares (as a class) on GEM is suspended for a continuous period of twenty (20) Business Days; (c) the Company having received enquiry from the Stock Exchange as to the Group's compliance with Rule 17.26 of the GEM Listing Rules and such enquiry shall continue for more than 30 days;

- (d) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Instrument or the Conditions and on its part to be performed or observed (other than the covenant to pay the principal and interest) and such default (i) is incapable of remedy, or (ii) being a default which is capable of remedy remains unremedied for twenty (20) Business Days after service by the Bondholder on the Company of notice requiring such default to be remedied;
- (e) any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Convertible Bonds, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Certificate, the Instrument, the Conditions or the Convertible Bonds admissible in evidence in the courts of the Cayman Islands and Hong Kong is not taken, fulfilled or done;
- (f) save and except for loans from any substantial shareholders (as defined in the GEM Listing Rules) of the Company or their wholly-owned companies (provided that such loans have been made subordinated (including but not limited to the right to repayment and priority) to the Convertible Bonds), (i) any Indebtedness exceeding HK\$1,000,000 of the Company or any of its subsidiaries is not paid when due; or (ii) any Indebtedness exceeding HK\$1,000,000 of the Company or any of its subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity; or (iii) the Company or any of its subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness exceeding HK\$1,000,000;

- (g) it is or will become unlawful for the Company to perform or comply with any one or more of their respective material obligations under the Instrument, these Conditions or the Convertible Bonds;
- (h) one or more judgment(s) or order(s) for the payment of any amount exceeding HK\$1,000,000 is rendered against the whole or a substantial part of the property, assets or revenue of the Company or any of its subsidiaries;
- (i) an encumbrancer takes possession of or a receiver, manager or other similar officer is appointed over the whole or a material part of the assets, undertaking or revenues of the Company or any of its subsidiaries;
- (j) (i) the Company or any of its subsidiaries becomes insolvent (either on the basis of cashflow test or net asset test) or bankrupt or is unable to pay its debts as they fall due, or (ii) an administrator or liquidator or trustee in bankruptcy is appointed (or application for any such appointment is made) in respect of the Company or any of its subsidiaries or the whole or part of the undertaking, assets and revenues of the Company or any of its subsidiaries, or (iii) the Company or any of its subsidiaries takes any action for a rescheduling or readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it, or (iv) the Company or any of its subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business;

- (k) proceedings shall have been initiated against the Company or any of its subsidiaries under any applicable bankruptcy, reorganisation, insolvency or winding up law and such proceedings shall not have been discharged or stayed within a period of 21 days, save for the purpose of voluntary corporate restructuring of the subsidiaries of the Company which do not constitute cessation or substantial disposal of the Group's business or its consolidated assets or undertakings;
- (l) a resolution is passed or an order of a court of competent jurisdiction is made that the Company or any of its subsidiaries be wound up, liquidated, bankrupt or dissolved, save for the purpose of voluntary corporate restructuring of the subsidiaries of the Company which do not constitute cessation or substantial disposal of the Group's business or its consolidated assets or undertakings;
- (m) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property or assets of the Company or any of its subsidiaries and is not discharged within 7 Business Days thereof; or
- (n) Mr. Hu Yishi and Ms. Lin Min Mindy together cease to hold, directly or indirectly, at least 28.73% of the voting rights of the issued share capital of the Company, save where such dilution is caused by the Company's corporate actions, the exercise of any options under any share option schemes of the Company (both otherwise than in breach of the covenants of the Company given under the Instrument and the Conditions), or the issue of Shares pursuant to the exercise of the Conversion Rights;

provided that notwithstanding the foregoing, if the Company shall fail to issue the Conversion Shares in accordance with the Instrument and the Conditions, the Bondholder shall be entitled to bring an action against the Company for either specific performance or damages.

At any time after any interest amount or the principal amount of the Convertible Bonds has become payables, the Bondholder may without further notice institute such proceedings as the Bondholder may think fit to enforce payment of the monies due.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 23 June 2020, the Shareholders granted the General Mandate to the Board to allot and issue not more than 722,427,200 Shares. The General Mandate has not been previously utilised prior to the date of this announcement and it is sufficient for the allotment and issue of all the Conversion Shares. The Conversion Shares will be allotted and issued under the General Mandate and no Shareholders' approval is therefore required.

On the initial price of HK\$0.27 per Conversion Shares, 362,222,222 Conversion Shares will be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds, which will utilise approximately 50% of the General Mandate.

APPLICATION FOR LISTING

No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other Stock Exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

REASON FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas, coupled with trading of new energy related industrial products, and property investments by leasing out the investment properties located in Shanghai, the PRC to receive rental income.

The Board considers that the Subscription represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group potentially. The Directors are of the view that the Subscription Agreement, the Instrument and the terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscribers and the Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Assuming the aggregate principal amount of the Convertible Bonds are fully subscribed, the gross and net proceeds (after deducting all relevant expenses including but not limited to legal expenses) from the Subscription are estimated to be HK\$97,800,000 and HK\$97,500,000 respectively. The net price for the Subscription is approximately HK\$0.27 per Conversion Share. The Company intends to apply the net proceeds from the Subscription as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Subscription, assuming full conversion of the Convertible Bonds into the Conversion Shares and that there is no other change in the number of issued Shares from the date of this announcement up to the date when the conversion rights are exercised in full, is set out below:

	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Depot Up Limited (<i>Note 1</i>)	640,000,000	17.67%	640,000,000	16.06%
Mr. Hu Yishi (<i>Note 2</i>)	547,184,000	15.11%	547,184,000	13.73%
Ms. Lin Min, Mindy (<i>Note 3</i>)	493,456,000	13.62%	493,456,000	12.38%
Subscribers	0	0.00%	362,222,222	9.09%
Public Shareholders	<u>1,941,496,000</u>	<u>53.60%</u>	<u>1,941,496,000</u>	<u>48.73%</u>
Total	<u>3,622,136,000</u>	<u>100.00%</u>	<u>3,984,358,222</u>	<u>100.00%</u>

Notes:

1. Depot Up Limited is beneficially wholly-owned by Mr. Song Zhi Cheng as at the date of this announcement.
2. Mr. Hu Yishi owned the entire share capital of Front Riches Investments Limited and Yuan Rong Century Investment Holdings Limited, which owns the entire issued share capital of Smart Lane Global Limited, and which in turn held 99,184,000 Shares and 448,000,000 Shares respectively as at the date of this announcement. Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi.
3. Ms. Lin Min, Mindy owned the entire share capital of Uprise Global Investments Limited and Gainup Limited which in turn held 448,000,000 Shares and 23,056,000 Shares respectively. 22,400,000 shares were beneficially owned by Ms. Lin Min, Mindy as at the date of this announcement. Mr. Hu Yishi is the spouse of Ms. Lin Min, Mindy.
4. This scenario is shown for illustrative purpose only. The conversion of the Convertible Bonds is subject to the conversion restriction set out in note 5 below.
5. Pursuant to the terms of the Convertible Bonds, the conversion of the Convertible Bonds is subject to the condition that the allotment and issue of the Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under the GEM Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong and principally engaged in the business of investment holding. The Subscriber is indirectly held as to 100% by Kai Yuan.

Kai Yuan is a company listed on the Main Board of the Stock Exchange incorporated in Bermuda with limited liability and its principal activity is investment holding. Happy Sino International Limited, Mr. Zhang He Yi, Sincere Profit Group Limited, Ga Leung Investment Company Limited, Mr. Sun Yong Feng and Mr. Hu Yishi are the shareholders beneficially holding 5% or more interest in the issued share capital of Kai Yuan, as to 5.54%, 10.96%, 5.89%, 14.61%, 1.04% and 10.17%, respectively. The Subsidiaries of Kai Yuan mainly engage in the operation of hotel business in France and providing mortgage loans in Hong Kong.

As at the date of this announcement, a substantial shareholder of the Kai Yuan, Mr. Hu Yishi, who holds 10.17% of its entire share capital, is the Shareholder of 1,040,640,000 Shares, approximately 28.73% of the entire issued share capital, of the Company through direct and indirect interests, and an executive Director of the Company. Save for Mr. Hu Yishi and Ms. Lin Min, Mindy (the spouse of Mr. Hu Yishi and therefore deemed to be holding 10.17% of the entire share capital of Kai Yuan, the Shareholder of approximately 28.73%, 1,040,640,000 Shares, of the entire issued share capital of the Company through direct or indirect interests, and an executive Director of the Company) who are connected persons (as defined in the GEM Listing Rules) of the Company, to the best of the Directors' knowledge, information and belief, the Subscriber and the ultimate beneficial owners of the ultimate holding company of the Subscriber are Independent Third Parties and not connected with the Company and its connected persons.

Completion of the Subscription Agreement is subject to the fulfilment or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	Holders of the Convertible Bonds
“Business Day”	A day other than a Saturday, Sunday, public holiday or days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted or in effect in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon on which banks are generally open for banking business in Hong Kong
“Company”	Zhonghua Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange
“Conditions”	The terms and conditions to be attached to and form part of the Convertible Bonds
“Connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.27 (subject to adjustments) per Conversion Share upon conversion of the Convertible Bonds
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds, being 362,222,222 new Shares

“Convertible Bonds”	convertible bonds in the principal amount of HK\$97,800,000 with 8% interest per annum to be issued by the Company
“Director(s)”	the directors of the Company
“GEM”	the GEM of Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 23 June 2020 to allot and issue up to 722,427,200 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s) and is not acting in concert with any of the connected persons of the Company or any of their respective associates

“Indebtedness”

any indebtedness of any member of the Group for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(1) amounts raised by acceptance under any acceptance credit facility; (2) amounts raised under any note purchase facility or the issue of bonds, notes, debentures or any similar instrument; (3) the amount of any liability in respect of lease or hire purchase contract which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital lease; (4) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing; (5) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (6) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (1) to (5) above;

For the avoidance of doubt, Indebtedness shall not include

- (a) any trade payables;
- (b) any deposit or advance from the Group’s customers in conducting with the Group in respect of the Group’s principal activities;
- (c) any tax payables (including all kinds of taxes in the People’s Republic of China);
- (d) any legal and professional fees payable (including audit fees, legal fees, listed activity related fees, valuation fees and fees charged by other registered professional parties); and
- (e) other operational payables and accruals related to the daily operation of the Group

incurred in the ordinary course of business of the Group.

“Instrument”	the instrument to be executed by the Company by way of deed poll constituting the Convertible Bonds to be issued upon Completion
“Kai Yuan”	Kai Yuan Holdings Limited (Stock Code: 1215)
“Market Price”	the average of the closing prices of one Share dealing on the Stock Exchange for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained
“Maturity Date”	the maturity date of the Convertible Bonds, being the third anniversary of the date of execution of the Instrument
“Share(s)”	ordinary share(s) of HK\$0.00125 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	New York Limited, a company incorporated under the laws of Hong Kong, which is a wholly owned subsidiary of Kai Yuan
“Subscription”	Subscription of the Convertible Bonds in the principal amount of HK\$97,800,000
“Subscription Agreement”	the subscription agreement dated 2 November 2020 entered into between the Company and the Subscribers in relation to the subscription of the Convertible Bonds in the principal amount of HK\$97,800,000

“Takeovers Code”

The Code on Takeovers and Mergers published by The Securities and Futures Commission of Hong Kong

“%”

per cent.

*Unless specified otherwise, conversion of Renminbi (RMB¥) to Hong Kong Dollar (HK\$) uses the exchange rate of HK\$1.00 to RMB¥0.87872 (the “**Exchange Rate**”). This Exchange Rate is for the purpose of illustration only, it does not constitute a representation that any amounts were or may have been or will be exchanged from RMB¥ to HK\$ at all or at this or any other rates.*

By Order of the Board
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert

Chief Executive Officer and Executive Director

Hong Kong, 2 November 2020

As at the date of this announcement, the executive Directors are Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert, Ms. Lin Min, Mindy, and Ms. Kwong Wai Man, Karina; and the independent non-executive Directors are Ms. Ma Lee, Mr. Lau Kwok Kee and Ms. Qin Xuwen.

This announcement, for which the Directors of Zhonghua Gas Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at <http://www.8246hk.com>.