
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhonghua Gas Holdings Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 ADOPTION OF NEW SHARE OPTION SCHEME;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at 24/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 September 2023 at 10:00 a.m. (or any adjournment thereof) is set out on pages 37 to 39 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the EGM in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

29 August 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Adoption Date”	the date on which the New Share Option Scheme becomes unconditional
“Articles” or “Articles of Association”	the articles of association of the Company as amended and restated, supplemented or modified from time to time
“associates”	the same definition as ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities listed thereon
“close associate”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Zhonghua Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 24/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 September 2023 at 10:00 a.m. (or any adjournment thereof)
“Eligible Participant(s)”	(a) the Employee Participant(s); and (b) the Service Provider(s), provided that the Board may have absolute discretion to determine whether or not one falls within the above categories
“Employee Participant(s)”	the director(s) and employee(s) (whether full-time or part-time) of the Company or any of its subsidiaries (including persons who are granted Options under the New Share Option Scheme as inducement to enter into employment contracts with the Group)
“Exercise Price”	with respect to a particular Option, the price per Share at which the relevant Grantee may subscribe for the Shares on the exercise of the particular Option

DEFINITIONS

“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	any Eligible Participant who accepts the Offer in accordance with the terms of the New Share Option Scheme
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 August 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“New Share Option Scheme”	the new share option scheme set out in Appendix to this circular proposed to be adopted by the Shareholders by way of ordinary resolution at the EGM
“Notice”	the notice of the EGM
“Offer”	an offer for the grant of an Option made in accordance with the terms of the New Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Participant
“Option(s)”	any option(s) to be granted to Eligible Participant(s) to subscribe for new Share(s) under the New Share Option Scheme
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination thereof contained in the New Share Option Scheme
“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“Previous Share Option Scheme”	the previous share option scheme adopted and approved by the sole shareholder of the Company on 12 December 2011

DEFINITIONS

“Service Provider(s)”	person(s) who provide services to any member of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, which include any independent contractor, agent, consultant or adviser to any area of business or business development of the Group, but exclude any placing agent or financial adviser providing advisory services for fundraising, mergers or acquisitions, and other professional services providers such as auditors or valuers
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.00125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended from time to time)
“Termination Date”	close of business of the Company on the date which falls ten (10) years after the Adoption Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Hu Yishi (*Executive Chairman*)

Mr. Chan Wing Yuen, Hubert
(*Chief Executive Officer*)

Ms. Lin Min, Mindy

Ms. Kwong Wai Man, Karina
(*Chief Financial Officer*)

Independent non-executive Directors:

Ms. Ma Lee

Mr. Lau Kwok Kee

Ms. Qin Xuwen

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

23/F., Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

29 August 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolution to be proposed at the forthcoming EGM to be held at 24/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 September 2023 at 10:00 a.m. (or any adjournment thereof) for the approval of the adoption of the New Share Option Scheme and to give you notice of the EGM at which the ordinary resolution as set out in the EGM Notice will be proposed.

LETTER FROM THE BOARD

THE PREVIOUS SHARE OPTION SCHEME

The Previous Share Option Scheme adopted by the Company on 12 December 2011 and has been expired on the tenth anniversary of its adoption, i.e. 12 December 2021. No further options can be offered or granted upon the expiration of the Previous Share Option Scheme. The Board therefore proposes to adopt the New Share Option Scheme in accordance with Chapter 23 of the GEM Listing Rules.

As at the Latest Practicable Date, there were 212,480,000 share options granted under the Previous Share Option Scheme which remain outstanding or unexercised, details of which are as follows:

Name and category of grantee	Date of grant	Number of outstanding share options as at the Latest Practicable Date	Exercise period	Exercise price (HK\$)
Mr. Hu Yishi <i>Director</i>	9 June 2017	2,880,000	9 June 2018–9 June 2024	0.289
	9 June 2017	2,880,000	9 June 2019–9 June 2024	0.289
	9 June 2017	2,880,000	9 June 2020–9 June 2024	0.289
Mr. Chan Wing Yuen, Hubert <i>Director</i>	9 June 2017	11,448,000	9 June 2018–9 June 2024	0.289
	9 June 2017	11,448,000	9 June 2019–9 June 2024	0.289
	9 June 2017	11,448,000	9 June 2020–9 June 2024	0.289
Ms. Lin Min, Mindy <i>Director</i>	9 June 2017	2,880,000	9 June 2018–9 June 2024	0.289
	9 June 2017	2,880,000	9 June 2019–9 June 2024	0.289
	9 June 2017	2,880,000	9 June 2020–9 June 2024	0.289
Ms. Kwong Wai Man, Karina <i>Director</i>	9 June 2017	11,448,000	9 June 2018–9 June 2024	0.289
	9 June 2017	11,448,000	9 June 2019–9 June 2024	0.289
	9 June 2017	11,448,000	9 June 2020–9 June 2024	0.289
Ms. Ma Lee <i>Director</i>	9 June 2017	1,144,000	9 June 2018–9 June 2024	0.289
	9 June 2017	1,144,000	9 June 2019–9 June 2024	0.289
	9 June 2017	1,144,000	9 June 2020–9 June 2024	0.289
Mr. Lau Kwok Kee <i>Director</i>	9 June 2017	1,144,000	9 June 2018–9 June 2024	0.289
	9 June 2017	1,144,000	9 June 2019–9 June 2024	0.289
	9 June 2017	<u>1,144,000</u>	9 June 2020–9 June 2024	0.289
Total Directors		<u>92,832,000</u>		

LETTER FROM THE BOARD

Name and category of grantee	Date of grant	Number of outstanding share options as at the Latest Practicable Date	Exercise period	Exercise price (HK\$)
<i>Employees</i>	9 June 2017	22,776,000	9 June 2018–9 June 2024	0.289
	9 June 2017	22,776,000	9 June 2019–9 June 2024	0.289
	9 June 2017	<u>22,776,000</u>	9 June 2020–9 June 2024	0.289
Total Employees		<u>89,768,000</u>		
<i>Consultants</i>	9 June 2017	1,664,000	9 June 2019–9 June 2024	0.289
	9 June 2017	<u>28,216,000</u>	9 June 2020–9 June 2024	0.289
Total Consultants		<u>29,880,000</u>		
Total all categories		<u>212,480,000</u>		

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Previous Share Option Scheme was expired on 12 December 2021. In view of the new amendments to Chapter 23 of the GEM Listing Rules, which took effect on 1 January 2023, the Directors considered that the adoption of the New Share Option Scheme, which will be valid for 10 years from the Adoption Date, will provide the Company with more flexibility in long term planning of granting of the Options to Eligible Participants and also provide appropriate incentives or rewards to suitable and eligible persons for their contributions or potential contributions to the Group.

The purpose of the New Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants and for such other purposes as the Board may approve from time to time, and to provide the Eligible Participants with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole. The New Share Option Scheme will give the Eligible Participants an opportunity to have a personal stake in the Company and will help to motivate the Eligible Participants in optimising their performance and efficiency and attract and retain the Eligible Participants whose contributions are important to the long-term growth and profitability of the Group.

LETTER FROM THE BOARD

The Rules set out the basis for determining the Exercise Price (as described in paragraph 6 in Appendix) and provide that the Company may specify the date or dates on which an Option will vest or may be exercised in the grant of an Option (as described in paragraph 5 in Appendix). The Rules enable the Company to grant Option(s) to Eligible Participants. The Directors are of the view that the adoption of the New Share Option Scheme aligns with the market practice of providing incentives to employees to work towards enhancing the enterprise value and achieving the long-term objectives for the benefit of the Group as a whole. The Board may determine the participants' eligibility in its sole discretion by considering all relevant factors as appropriate before granting Options to them (as described in paragraph 3 in Appendix).

Pursuant to the terms of the New Share Option Scheme, Eligible Participants include the Employee Participants and the Service Providers.

In determining the basis of eligibility of each Eligible Participant, the Board would take into account of (i) the experience of the Eligible Participant on the Group's business; (ii) the length of service of the Eligible Participant with the Group (if the Eligible Participant is an Employee Participant); (iii) the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Eligible Participant has established with the Group (if the Eligible Participant is a Service Provider); and (iv) the amount of support, assistance, guidance, advice, efforts and contributions the Eligible Participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Eligible Participant is likely to be able to give or make towards the success of the Group in the future.

In respect of the eligibility of Employee Participants, the Board will consider, amongst others, (i) the individual performance; (ii) time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; (iii) the length of engagement with the Group; and (iv) the individual contribution or potential contribution to the development and growth of the Group.

In respect of the eligibility of Service Providers, the Board will, on a case by case basis, take into account the following factors, including but not limited to, (i) the individual performance of relevant Service Providers; (ii) the length of business relationship with the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they contribute to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) the background, reputation and track record of the relevant Service Providers; (v) the scale of business dealings with the Group, in particular, whether such Service Providers could bring positive impacts to the Group's business with regard to factors such as the actual or expected increase in the Group's revenue or profits or reduction in costs which is or may be attributable to the Service Provider; and (vi) the Group's future business plans in relation to further collaboration with such Service Providers and the long term support that the Group may receive accordingly.

LETTER FROM THE BOARD

Set out below are the detailed description of each type of Service Providers and the specific criteria for determining the eligibility of each type of Service Providers under the New Share Option Scheme.

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Contractors	Service Providers under this category are mainly contractors who undertake construction tasks and/or infrastructure developments for the Group on areas relating to the Group's principal business activities in (i) the energy business; and/or (ii) investment property leasing, and/or other business(es) that may be carried out by the Group from time to time.	<p>The Board will take into account, amongst others:</p> <ul style="list-style-type: none">(i) the quality, efficiency and/or pricing of the construction tasks and/or infrastructure developments the contractor produced;(ii) the value of the construction tasks and/or infrastructure developments provided by the relevant contractor;(iii) the frequency of collaboration and length of business relationship with the Group;(iv) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);(v) the background, reputation and track record of the relevant contractor;(vi) the replacement cost of such contractor and/or the construction tasks and/or infrastructure developments; and(vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such contractor could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by products and/or services using construction tasks and/or infrastructure developments provided by such contractor.

LETTER FROM THE BOARD

Type(s) of Service Providers	Contributions of the Service Providers	Criteria for determining eligibility under the New Share Option Scheme
Agents, consultants and advisers	<p>Service Providers under this category are mainly independent agents, consultants and advisers who provided advisory services, consultancy services, and/or other professional services to the Group on areas relating to the Group's principal business activities in (i) energy business; (ii) property investments; and/or (iii) other principal business activity(ies) that may be carried out by the Group from time to time, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their specialised skills and/or knowledge in the abovementioned field.</p>	<p>The Board will take into account, amongst others:</p> <ul style="list-style-type: none"> (i) individual performance of the relevant contractor, agent, consultant and/or adviser; (ii) their knowledge, experience, qualification and network in the relevant industry; (iii) the frequency of collaboration and length of business relationship with the Group; (iv) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (v) the background, reputation and track record of the relevant contractor, agent, consultant and/or adviser; (vi) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such agent, consultant and/or adviser could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such contractor, agent, consultant and/or adviser; and (vii) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant contractor, agent, consultant and/or adviser, and/or the synergy between the relevant contractor, agent, consultant and/or adviser and the Group.

LETTER FROM THE BOARD

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board will take into consideration (i) the length and type of services provided and the recurrences and regularity of such services; (ii) the nature of the services provided to the Group by the Service Provider; and (iii) whether such services form part of or are directly ancillary to the businesses conducted by the Group.

Whilst the scope of the Eligible Participants does not limit to the employees and directors of the Company or any of its subsidiaries, the Company considers that there can be circumstances when the Service Providers would make contribution to the Group. As the purpose of the New Share Option Scheme is to recognise contributions made and to be made to the growth and development of the Group, the Company is of the view that the wide scope of Eligible Participants will allow flexibility to provide incentives to those Eligible Participants who will contribute to the Group. In particular, consultants and advisers of the Group may provide crucial advices to the Group and they can be eligible to the Options in light of such advices. The Company will not grant Options to persons who would not or may not contribute to the Group. Having taken into account the fact that (i) the proposed categories of Service Providers are in line with the Group's business needs; (ii) certain Service Providers, in particular, the independent contractors, agents, consultants and/or advisers, which provide services akin to employees of the Group, may not be able to serve as full-time or part-time employees of the Group; (iii) acknowledging the contribution of Service Providers may enhance their performance and further contribution to the Group; and (iv) the invaluable contributions from Service Providers are essential to the sustainable and successful development of the Group, the Board (including the Independent non-executive Directors) is of the view that the inclusion of Service Providers as Eligible Participants is fair and reasonable and aligns with the purpose of the New Share Option Scheme.

As at the Latest Practicable Date, the Company has no other concrete plan to grant Options under the New Share Option Scheme.

The Company has sought legal advice in respect of the New Share Option Scheme and understands that whilst the New Share Option Scheme is not restricted to executives and employees of the Group, the adoption of the New Share Option Scheme would not constitute an offer to public and prospectus requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) is not applicable.

Based on the above, the Board considers that the adoption of the New Share Option Scheme is in the interest of the Company and the Shareholders as a whole, and would enable the purpose of the New Share Option Scheme to be achieved.

LETTER FROM THE BOARD

Conditions Precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the GEM Listing Committee granting the approval for the listing of, and permission to deal in any new Shares which may fall to be allotted and issued by the Company upon the exercise of Options that may be granted under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution at the EGM the adoption of the New Share Option Scheme and authorising the Directors to grant Options to Eligible Participants and to allot and issue Shares pursuant to the exercise of any Option granted under the New Share Option Scheme.

Under the New Share Option Scheme, the Board may at its discretion specify any condition, such as performance targets, in the offer letter of the grant of the relevant Option which must be satisfied before an Option may be exercised. Such performance targets may include financial targets and management targets which shall be determined based on the (i) individual performance, (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional departments, projects and/or geographical area managed by the Grantees and/or selected Eligible Participants and such other goals as the Board may determine from time to time. The performance targets, if imposed, may be linked to the Eligible Participant or the Group as a whole or to a subsidiary, department, division, region, function or business unit, line of business, project or individual key performance indicators, which may include revenue, profits (before or after income tax), earnings per share, market value or economic value added, cash flow, return on assets, return on equity, return on investment, share price, and other targets as the Board may determine from time to time and assess either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, past or current performance or comparison to internal targets or industry performance, in each case as specified by the Board in their sole discretion.

Save as determined by the Board and provided in the offer letter of the grant of the relevant Option, the New Share Option Scheme does not stipulate any performance target a Grantee is required to achieve before an Option can be exercised under the terms of the New Share Option Scheme.

The New Share Option Scheme provides clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participants. Particular details of the clawback mechanism are set out in paragraphs 13 to 20 and 27 in the Appendix to this circular. Save as disclosed, the New Share Option Scheme does not prescribe any other clawback mechanism. The Board believes that this will provide the Board with more flexibility in setting out the terms and conditions of the Options under particular circumstances of each grant and facilitate the Board to offer meaningful incentive to attract and retain quality personnel that are valuable to the development of the Group.

LETTER FROM THE BOARD

Maximum number of Shares subject to the New Share Option Scheme

The total number of Shares which may be issued in respect of all Options which may be granted under the New Share Option Scheme together with all options and awards which may be granted under any other share schemes for the time being of the Company shall not exceed such number of Shares as equals to 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme. Options lapsed in accordance with the terms of the New Share Option Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit (as defined below).

As at the Latest Practicable Date, the number of issued Shares was 3,666,936,000 Shares. Assuming that there is no change in the number of issued Shares between the Latest Practicable Date and the Adoption Date, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme together with all options and awards which may be granted under any other share schemes for the time being of the Company would be 366,693,600 Shares, representing approximately 10% of the issued share capital of the Company on the date of approval of the New Share Option Scheme.

The sublimit on the total number of Shares which may be issued in respect of all Options to be granted to Service Providers (the “**Service Provider Sublimit**”) under the New Share Option Scheme together with all options and awards which may be granted under any other share schemes for the time being of the Company will be 36,669,360 Shares, being 1% of the total number of Shares in issue on the date of approval of the New Share Option Scheme. The basis for determining the Service Provider Sublimit includes the potential dilution effect arising from grants to Service Providers, the importance of striking a balance between achieving the purpose of the New Share Option Scheme and protecting Shareholders from the dilution effect from granting the Options to the Service Providers, the actual or expected increase in the Group’s revenue or profits which is attributable to Service Providers and the extent of use of Service Providers in the Group’s business. Considering the fact that (i) the individual limit under Rule 23.03D(1) of the GEM Listing Rules is also 1%; (ii) the sublimit of 1% would not lead to excessive dilution of existing Shareholders’ shareholdings; (iii) there is no other share schemes involving grant of options over new Shares of the Company; (iv) due to the hiring practice and organisational structures of the Group, certain Service Providers, in particular, the independent contractors, agents, consultants and/or advisers, which provide services akin to employees of the Group, may not be able to serve as full-time or part-time employees of the Group; and (v) the Service Providers have contributed to the long-term growth of the Company’s business, and that the New Share Option Scheme could incentivise Service Providers who/which supply reliable and high-quality services to the Group on a long-term basis, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable. The Service Provider Sublimit is subject to approve separately by the Shareholders at the EGM.

None of the Directors is and will be trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustee.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the adoption of the New Share Option Scheme. Accordingly, no Shareholder is required to abstain from voting on the resolution approving the adoption of the New Share Option Scheme at the EGM.

The Company will, where applicable, comply with the applicable requirements under Chapter 23 of the GEM Listing Rules in respect of the operation of the New Share Option Scheme.

Explanation of the terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same.

The Exercise Price of the Options granted under the New Share Option Scheme shall be a price solely determined by the Board subject to a minimum amount set out in the rules of the New Share Option Scheme, and the Board may specify in the offer letter at the grant of the relevant Option the performance targets that need to be achieved by an Eligible Participant. The New Share Option Scheme provides clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participants. Particular details of the clawback mechanism are set out in paragraphs 13 to 20 and 27 in the Appendix to this circular. Save as disclosed, the New Share Option Scheme does not prescribe any other clawback mechanism. The vesting period of Options granted under the New Share Option Scheme shall be determined by the Board subject to a minimum period set out in the rules of the New Share Option Scheme.

Save for the circumstances prescribed in paragraph 5 of Appendix to this circular, the vesting period for Options under the New Share Option Scheme shall not be less than twelve (12) months. To ensure the practicability in fully attaining the purpose of this New Share Option Scheme, the Board and the remuneration committee of the Company are of the view that (i) there are certain instances where a strict twelve (12)-month vesting requirement would not work or would not be fair to the Options holder(s), such as those set out in paragraphs 5(a) to (c) of Appendix to this circular; (ii) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Company should be allowed discretions to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

As such, the Board and the remuneration committee of the Company are of the view that the shorter vesting period prescribed in paragraph 5 of Appendix to this circular is appropriate and aligns with the purpose of the New Share Option Scheme.

LETTER FROM THE BOARD

It is believed that subject to GEM Listing Rules and the rules of the New Share Option Scheme, by giving the Board the sole discretion to offer Options in such flexible terms, in particular, determining the eligibility of the Eligible Participants, determining the Exercise Price, prescribing a vesting period before Options can be exercised, requiring the Eligible Participant to achieve any performance targets as may be stipulated in the offer letter at the grant of the relevant Option before his or her Options can be exercised and/or setting any clawback mechanism for the Company to recover or withhold any Option granted to any Eligible Participant, the Group will be in a better position to attract and retain such Eligible Participants to continue serving the Group whilst at the same time providing them with further incentive in achieving the goals of the Group, and thereby, to achieve the purpose of the New Share Option Scheme. The Company will make relevant disclosure by way of announcement(s) to comply with Rules 23.06B(7) and (8) of the GEM Listing Rules when granting the Options to the Eligible Participants in the future.

Value of the Options

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include the subscription price payable for the Shares upon the exercise of the Options, whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options to be granted and the timing of the granting of such Options, the period during which the subscription rights may be exercised and any other conditions that the Board may impose with respect to the Options and whether or not such Options if granted will be exercised by the holders of the Option. Accordingly, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

Document on display

A copy of the New Share Option Scheme will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.8246hk.com for a period of not less than 14 days before the date of the EGM and is also made available for inspection at the EGM.

Application for Listing

Application will be made to the GEM Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the exercise of any Option that may be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

Competing Interest

As at the Latest Practicable Date, none of the Directors, controlling Shareholders or substantial Shareholders or any of their respective close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

EGM

A notice convening the EGM is set out on pages 37 to 39 of this circular. The EGM will be convened at 24/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 September 2023 at 10:00 a.m. (or any adjournment thereof) for the purpose of, considering and, if thought fit, approving the adoption of the New Share Option Scheme.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than Tuesday, 12 September 2023 at 10:00 a.m. (Hong Kong time)) or at any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL

All the resolutions set out in the notice of the EGM shall be taken by poll in accordance with the GEM Listing Rules and the Articles. The chairman of the EGM would explain the detailed procedures for voting by way of a poll at the EGM.

The poll results will be published on the Company's website at www.8246hk.com and the Stock Exchange's website at www.hkexnews.hk in due course pursuant to the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 11 September 2023 to Thursday, 14 September 2023 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all relevant transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Friday, 8 September 2023 for registration.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular 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 circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the adoption of the New Share Option Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM.

GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM. Your attention is also drawn to the additional information set out in the Appendix to this circular.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully
By order of the Board
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

The following is a summary of the principal terms of the New Share Option Scheme to be approved and adopted by ordinary resolution at the EGM, but such summary does not form part of, nor was it intended to be, part of the New Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

1. PURPOSE

The purpose of the New Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Participants and to promote the success of the business of the Group. The New Share Option Scheme will give the Eligible Participants an opportunity to have a personal stake in the Company and will help motivate the Eligible Participants in optimising their performance and efficiency and attract and retain the Eligible Participants whose contributions are important to the long-term growth and profitability of the Group.

2. ADMINISTRATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the New Share Option Scheme or its interpretation or application or effect shall (save as otherwise provided in the New Share Option Scheme and in the absence of manifest error) be final and binding on all persons who may be affected thereby. For the avoidance of doubt, subject to compliance with the requirements of the GEM Listing Rules and the provisions of the New Share Option Scheme, the Board shall have the right to (i) interpret and construe the provisions of the New Share Option Scheme; (ii) determine the persons who will be offered Options under the New Share Option Scheme, and the number of Shares and the subscription price of the Shares, in relation to such Options; (iii) make such appropriate and equitable adjustments to the terms of Options granted under the New Share Option Scheme as it may deem necessary; and (iv) make such other decisions or determinations or regulations as it shall deem appropriate for the administration of the New Share Option Scheme.

3. ELIGIBLE PARTICIPANTS AND THE BASIS OF ELIGIBILITY OF THE PARTICIPANTS OF THE NEW SHARE OPTION SCHEME

Eligible Participants for the New Share Option Scheme include:

- (i) Employee Participant(s) including the director(s) and employee(s) (whether full-time or part-time) of the Company or any of its subsidiaries (including persons who are granted Options under the New Share Option Scheme as inducement to enter into employment contracts with the Group); and

- (ii) Service Provider(s) including person(s) who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, which include any independent contractor, agent, consultant or adviser to any area of business or business development of the Group, but exclude any placing agent or financial adviser providing advisory services for fundraising, mergers or acquisitions, and other professional services provider such as auditor or valuer,

provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.

In determining the basis of eligibility of each Eligible Participant, the Board would take into account of (i) the experience of the Eligible Participant on the Group's business; (ii) the length of service of the Eligible Participant with the Group (if the Eligible Participant is an Employee Participant); (iii) the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Eligible Participant has established with the Group (if the Eligible Participant is a Service Provider); and (iv) the amount of support, assistance, guidance, advice, efforts and contributions the Eligible Participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Eligible Participant is likely to be able to give or make towards the success of the Group in the future.

For Employee Participants, the factors in assessing whether any individual is eligible to participate in the New Share Option Scheme include: (i) the individual performance; (ii) time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; (iii) the length of engagement with the Group; and (iv) the individual contribution or potential contribution to the development and growth of the Group.

For Service Providers, their eligibility will be considered on a case by case basis and the factors in assessing whether such Service Provider is eligible to participate in the New Share Option Scheme include, in particular: (i) the individual performance of relevant Service Providers; (ii) the length of business relationship with the Group; (iii) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (iv) the background, reputation and track record of the relevant Service Providers; (v) the scale of business dealings with the Group, in particular, whether such Service Providers could bring positive impacts to the Group's business with regard to factors such as the actual or expected increase in the Group's revenue or profits or reduction in costs which is or may be attributable to the Service Provider; and (vi) the Group's future business plans in relation to further collaboration with such Service Providers and the long term support that the Group may receive accordingly.

Further, with respect to the eligibility of each category of the Service Providers, the Board will, on a case by case basis, specifically consider the following factors:

(1) Contractor

Service Providers under this category are mainly contractors who undertake construction tasks and/or infrastructure developments for the Group on areas relating to the Group's principal business activities in (i) the energy business; and/or (ii) investment property leasing, and/or other business(es) that may be carried out by the Group from time to time.

The Board will take into account, amongst others, (i) the quality, efficiency and/or pricing of the construction tasks and/or infrastructure developments the contractor produced; (ii) the value of the construction tasks and/or infrastructure developments provided by the relevant contractor; (iii) the frequency of collaboration and length of business relationship with the Group; (iv) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (v) the background, reputation and track record of the relevant contractor; (vi) the replacement cost of such contractor and/or the construction tasks and/or infrastructure developments; and (vii) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such contractor could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by products and/or services using construction tasks and/or infrastructure developments provided by such contractor.

(2) Agent, consultant and adviser

Service Providers under this category are mainly independent contractors, agents, consultants and advisers who provided advisory services, consultancy services, and/or other professional services to the Group on areas relating to the Group's principal business activities in (i) energy business; and (ii) property investments; and/or (iii) other principal business activity(ies) that may be carried out by the Group from time to time, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their specialised skills and/or knowledge in the abovementioned fields.

The Board will take into account, amongst others, (i) individual performance of the relevant contractor, agent, consultant and/or adviser; (ii) their knowledge, experience and network in the relevant industry; (iii) the frequency of collaboration and length of business relationship with the Group; (iv) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (v) the background, reputation and track record of the relevant contractor, agent, consultant and/or adviser; (vi) the potential and/or actual contribution to the business affairs of the Group, in particular, whether such

contractor, agent, consultant and/or adviser could bring positive impacts to the Group's business, such as an increase in revenue or profits or a reduction in costs attributable to or brought by services provided by such contractor, agent, consultant and/or adviser; and (vii) other factors, including but not limited to the capability, expertise, technical know-how and/or business connections of the relevant contractor, agent, consultant and/or adviser, and/or the synergy between the relevant contractor, agent, consultant and/or adviser and the Group.

In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis and in its ordinary and usual course of business, the Board will take into consideration (i) the length and type of services provided and the recurrences and regularity of such services; (ii) the nature of the services provided to the Group by the Service Provider; and (iii) whether such services form part of or are directly ancillary to the businesses conducted by the Group.

The Service Providers, such category of participants include:

- (i) the major independent contractors who undertake construction tasks and/or infrastructure developments for the Group. The Group has built its relationship with the major independent contractors since 2015. Given that the energy construction related projects undertaken the Group are on project basis but are on recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group; and
- (ii) the agent, consultant and adviser providing advisory services, consultancy services, and/or other professional services to the Group on areas relating to, or ancillary to, the Group's principal business, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group. The Group has built relationship with the consultant since 2015.

The Board (including the independent non-executive Directors) is in the view that all the above Service Providers who work for the Group on a continuing and recurring basis in its ordinary and usual course of business and where the continuity and frequency of their services are akin to those of employees in supplying goods and services, advisory services, consultancy services, and/or other professional services to the Group on areas relating to, or ancillary to, the Group's principal business. The Board (including the independent non-executive Directors) further consider, among other matters, experience and expertise, continuity and frequency of services provided by the Service Providers to the Group, the nature of the services provided to the Group by the Service Provider, their involvement in promoting the business of the Group, or where appropriate, contribution or potential contribution to the long-term growth of the Group.

The Directors (including the independent non-executive Directors) consider that the inclusion each of the proposed categories of Service Providers in the New Share Option Scheme are in line with the Company's business needs and the purpose of the New Share Option Scheme, is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the criteria for the election of Eligible Participants align with the purpose of the New Share Option Scheme, based on the following reasons:

- (a) the grant of Options to Service Providers would strengthen their loyalty to the Group and provide incentives for a higher degree of their participation and involvement in promoting the business of the Group and maintaining a stable and long-term relationship with the Group. Through the grant of Options, the interest of such Service Providers will be aligned with that of the Group in promoting the growth and development of the Group's business; and
- (b) in respect of the Service Providers, the Group has, in its ordinary and usual course of business, collaborated with independent contractors (including advisers, consultants, contractors, agents and service providers of any member of the Group). It is believed that the Group's success is attributable to the high quality of goods and services provided by such persons and entities. These Service Providers are closely connected to and crucial to the Group's day-to-day operations, and their contribution directly impacts the result of operations of the Group. Such Service Providers contribute to the long-term growth of the Group by advising or consulting on a set of specialized skills and knowledge in the business activities of the Group. As these service providers possess industry-specific knowledge or expertise and often have extensive experience and understanding of the market, they are able to provide insight on areas such as market development, market trends and source management as well as marketing. Therefore, the Company considers that, by including the Service Providers as Eligible Participants under the New Share Option Scheme will allow more flexibility to the Group to recognize and incentivise the contributions of these Service Providers.

Having taken into account that: (i) the proposed categories of Service Providers are in line with the Group's business needs; (ii) the contractors, consultant, advisors and agents which provide services akin to employees of the Group, may not be able to serve as full-time or part-time employees of the Group; (iii) recognising the contribution of Service Providers may enhance their performance and further contribution to the Group; and (iv) the invaluable contributions from Service Providers are essential to the sustainable and successful development of the Group, the Board (including the independent non-executive Directors) is of the view that the inclusion of Service Providers as Eligible Participants, the criteria of selection of the Eligible Participants, and the terms of the grants are fair and reasonable and align with

the purpose of the New Share Option Scheme to recognise contributions made and to be made to the growth and development of the Group and the long term interests of the Company and its Shareholders.

4. GRANT AND ACCEPTANCE OF OPTIONS

The Board shall, subject to the terms of the New Share Option Scheme and the GEM Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten (10) years commencing on the Adoption Date to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to paragraph (7) below, determine the subscription price pursuant to paragraph (6) below, provided that no such grant shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or the Directors of any applicable securities laws and regulations in any jurisdiction.

An Offer shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine either generally or on a case-by-case basis specifying the number of Shares and the Option Period in respect of which the Offer is made and further requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his or her Personal Representative(s)) for a period of twenty-one (21) days inclusive of, and from the Offer Date provided that no such Offer shall be open for acceptance after the earlier of the Termination Date or the termination of the New Share Option Scheme.

An Offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant with the number of Shares in respect of which the Offer is accepted as stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. The Eligible Participant shall pay the Company HK\$1.00 for the grant of an Option on acceptance of an Offer within 21 days after the Offer Date.

Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

5. VESTING PERIOD

Save for the circumstances prescribed below, an Option must be held by the Grantee for at least twelve (12) months before the Option can be exercised.

The Board may at its discretion grant a shorter vesting period to an Employee Participant in the following circumstances:

- (a) grants of “make-whole” Option(s) to new joiners to replace the share options they forfeited when leaving the previous employers;
- (b) grants to an Employee Participant whose employment is terminated due to death or occurrence of any out of control event;
- (c) grants that are made in batches during a year for administrative and compliance reasons, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
- (d) grants of Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months; or
- (e) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

6. EXERCISE OF OPTIONS AND SUBSCRIPTION PRICE OF SHARES

An Option may be exercised in whole or in part by the Grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Each of such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within twenty-eight (28) days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company’s auditors or independent financial advisers, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of Option by his or her Personal Representative, to the estate of the Grantee) credited as fully paid and instruct the share registrar of the Company to issue to the Grantee (or his or her Personal Representative(s)) a share certificate for the Shares so allotted.

Holder of the Options are not entitled to voting, dividend, transfer and other rights of the holders of the Shares, including those arising on a liquidation of the Company.

The subscription price for Shares to be subscribed under the New Share Option Scheme may be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a Business Day;
- (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive Business Days immediately preceding the Offer Date; and
- (c) the nominal value of the Share on the Offer Date.

Where a relevant Option is to be granted under paragraph (8) or (9), for the purposes of the sub-paragraph (a) and (b) above, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date for such relevant Option, and the provisions as set above shall apply *mutatis mutandis*.

7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE

- (a) Subject to the GEM Listing Rules, the total number of Shares which may be issued in respect of all Options which may be granted at any time under the New Share Option Scheme together with options and awards which may be granted under any other share schemes for the time being of the Company shall not exceed such number of Shares as equals to 10% of the issued share capital of the Company as at the Adoption Date (the “**Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (c) and (d) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.
- (b) Subject to the limit mentioned in (7)(a) above, within the Scheme Mandate Limit, the total number of Shares which may be issued in respect of all Options which may be granted at any time under the New Share Option Scheme together with options and awards which may be granted under any other share schemes for the time being of the Company to Service Providers shall not exceed such number of Shares as equals to 1% of the issued share capital of the Company as at the Adoption Date (i.e. the Service Provider Sublimit).

- (c) The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit and/or the Service Provider Sublimit under the New Share Option Scheme after three (3) years from the Adoption Date (or the date of Shareholders' approval for the last refreshment), provided that the limit so refreshed must not exceed 10% of the relevant class of Shares in issue as at the date of passing the relevant resolution. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules. Any refreshment of the Scheme Mandate Limit and/or the Service Provider Sublimit to be made within three (3) years from the Adoption Date (or the date of Shareholders' approval for the last refreshment) shall be subject to independent Shareholders' approval pursuant to Rule 23.03C(1) of the GEM Listing Rules.
- (d) The Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. For the purpose of seeking approval of Shareholders under this sub-paragraph (d), the Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules. The number and terms (including the subscription price) of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (e) If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Sublimit has been approved in a general meeting, the maximum number of Shares that may be issued in respect of all Options to be granted under all of the schemes of the Company under the Scheme Mandate Limit or the Service Provider Sublimit, the respective percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall remain the same, rounded to the nearest whole share.

**8. GRANT OF OPTIONS TO A DIRECTOR, CHIEF EXECUTIVE OR
SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR
ASSOCIATES**

Any grant of Options to a Director, a chief executive of the Company or substantial Shareholder (as defined under the GEM Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an Option).

Where Options are proposed to be granted to an independent non-executive Director or a substantial Shareholder (as defined in the GEM Listing Rules) or any of their respective associates and if such grant would result in the Shares issued and to be issued in respect of all options and awards granted and to be granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in any twelve (12)-month period up to and including the date of grant representing in aggregate over 0.1% of the total issued Shares, such further grant of Options must be approved by Shareholders in a general meeting of the Company with such Grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour of the proposed grant at such general meeting. Parties that are required to abstain from voting in favour at the general meeting pursuant to Rule 23.04(1) of the GEM Listing Rules may vote against the resolution at the general meeting of the Company, provided that their intention to do so has been stated in the relevant circular to the Shareholders. Any vote taken at the general meeting to approve the grant of such Options must be taken on a poll and comply with the requirements under the GEM Listing Rules.

A circular must be prepared by the Company explaining the proposed grant, containing, among other matters, (i) details of the number and terms of the Options to be granted to each Eligible Participant, which must be fixed before Shareholders' approval; (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who and whose associate is a Grantee) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting; and (iii) information as may be required by the Stock Exchange from time to time.

Shareholders' approval in a general meeting is also required for any change in the terms of Options granted to an Eligible Participant who is a substantial Shareholder (as defined in the GEM Listing Rules) or an independent non-executive Director, or any of their respective associates.

9. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

Where any grant of Options to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and options previously granted to such Eligible Participant in the twelve (12)-month period), the purpose of granting Options to the Eligible Participant, an explanation as to how the terms of the Options serve such purpose and such information as may be required by the Stock Exchange from time to time. The number and terms (including the subscription price) of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

10. TIME OF EXERCISE OF OPTIONS

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination of the New Share Option Scheme.

The rules of the New Share Option Scheme will not prescribe specific performance targets that must be met before an Option can be exercised. However, the rules of the New Share Option Scheme will give the Board discretion to impose such conditions, including the performance targets or other clawback mechanism where appropriate, on the Share Options. The Directors consider that it may not always be appropriate to impose such conditions particularly when the purpose of granting the Share Options is to remunerate or compensate Eligible Participants for past contributions. The Directors consider it more beneficial to the Company to retain the flexibility to determine whether such conditions are appropriate in light of the particular circumstances of each grant. Saved that the clawback mechanism as stipulated in the below paragraphs 13 to 20 and 27 of this Appendix, the New Share Option Scheme does not prescribe any other clawback mechanism.

Under the New Share Option Scheme, the Board may at its discretion specify any condition, such as performance targets, in the offer letter of the grant of the relevant Option which must be satisfied before an Option may be exercised. Such performance targets may include financial targets and management targets which shall be determined based on the (i) individual performance, (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional departments, projects and/or geographical

area managed by the Grantees and/or selected Eligible Participants and such other goals as the Board may determine from time to time. The performance targets, if imposed, may be linked to the Eligible Participant or the Group as a whole or to a subsidiary, department, division, region, function or business unit, line of business, project or individual key performance indicators, which may include revenue, profits (before or after income tax), earnings per share, market value or economic value added, cash flow, return on assets, return on equity, return on investment, share price, and other targets as the Board may determine from time to time and assess either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, past or current performance or comparison to internal targets or industry performance, in each case as specified by the Board in their sole discretion.

Save as determined by the Board and provided in the offer letter of the grant of the relevant Option, the New Share Option Scheme does not stipulate any performance target a Grantee is required to achieve before an Option can be exercised under the terms of the New Share Option Scheme.

11. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

Grant of Options may not be made:

- (a) after inside information (having the meaning defined in the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong) has come to the knowledge of the Company until (and including) the trading day after it has been announced pursuant to the requirements of the GEM Listing Rules; and
- (b) during the period commencing from one (1) month immediately preceding the earlier of:
 - (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for the Company to publish its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcements (or during any period of delay in publishing results announcements).

For the avoidance of doubt, in compliance with the GEM Listing Rules, a Director must not deal in any securities of the Company (and no Options may be granted to a Director) on any day on which its financial results are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in Rule 5.67 of the GEM Listing Rules.

12. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or any part thereof granted to such Grantee to the extent not already exercised.

13. RIGHTS ON CESSATION OF EMPLOYMENT OR DIRECTORSHIP

If the Grantee of an Option is an employee or a director of the Company or any of its subsidiaries and ceases to be an Eligible Participant by reason of voluntary resignation or dismissal or upon expiration of his or her term of directorship (unless immediately renewed upon expiration), or by termination of his or her employment or directorship on any one or more of the grounds that he or she has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute) or any other ground(s) on which the Group would be entitled to terminate the Grantee's employment or directorship pursuant to any applicable law before exercising the Option in full, his or her Option (to the extent not already exercised) will lapse on the date of cessation or termination and not be exercisable.

14. RIGHTS ON DEATH

If the Grantee of an Option ceases to be an Eligible Participant by reason of his or her death before exercising the Options in full, and where the Grantee is an employee or a director of the Company or any of its subsidiaries, none of the events referred to in paragraph (13) above as ground for termination of his or her employment or directorship arises, his or her Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the terms of the New Share Option Scheme within a period of twelve (12) months following the date of death, or up to the expiration of the Option Period, whichever is earlier, failing which it will lapse. If any of the events referred to in paragraphs (18) to (20) below occurs during such period, his or her Personal Representative(s) may exercise the Option pursuant to paragraphs (18) to (20) respectively.

15. RIGHTS ON ILL-HEALTH OR RETIREMENT

If the Grantee of an Option is an employee or a director of the Company or any of its subsidiaries ceases to be an Eligible Participant by reason of ill-health or retirement as an employee in accordance with his or her contract of employment before exercising the Option in full, he or she may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the terms of the New Share Option Scheme within a period of three (3) months following the date of such cessation, failing which it will lapse. The date of cessation shall be the last day on which the Grantee is actually at work with the Group whether salary is paid in lieu of notice or not. If any of the events referred to in paragraphs (18) to (20) below occurs during such period, he or she may exercise the Option pursuant to paragraphs (18) to (20) respectively.

16. RIGHTS ON CESSATION FOR OTHER REASONS

If the Grantee of an Option who is an employee or a director of the Company or any of its subsidiaries ceases to be an Eligible Participant for any reason other than the reasons set out in paragraphs (13) to (15) above, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment with the Group.

17. RIGHTS ON BREACH OF CONTRACT

If the Grantee of an Option who is a Service Provider ceases to be an Eligible Participant by reason of breach of contract entered into between such Eligible Participant and the Group, or termination of his/her/its engagement or appointment, in the absolute determination of the Board or the Board in its sole and absolute opinion believes such Grantee has become a competitor of the Group, or the Grantee has become bankrupt or has become insolvent or has made any arrangement or composition with his/her/its creditors generally, has committed any serious misconduct, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute), the Options (to the extent not already exercised) shall lapse on the date of the Board's determination and not be exercisable.

Note: Paragraphs 13, 15 and 16 do not apply to a Grantee who is not an employee or a director of the Company or any of its subsidiaries. Unlike employees or directors who are employed or appointed on a continuous basis, the relationship between the Group and the Grantees who are not employees or directors are based on different contracts which may or may not be consecutive or continuous in nature and may be on a project or order basis.

18. RIGHTS ON A GENERAL OFFER

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner being made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders during the Option Period of the relevant Option, the Grantee (or his or her Personal Representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within one (1) month after the date on which such offer becomes or is declared unconditional, or within one (1) month after the record date for entitlements under the scheme of arrangement, as the case may be.

19. RIGHTS ON WINDING UP

In the event a notice is given by the Company to its Shareholders to convene an extraordinary general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each Shareholder give notice thereof to all Grantees and any Grantee or his or her Personal Representative(s) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice shall be received by the Company no later than two (2) Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee credited as fully paid.

20. RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT

If a compromise or arrangement between the Company and the Shareholders or its creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to the Shareholders or creditors to summon a meeting to consider such a scheme or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date until the earlier of (i) two (2) months after that date or (ii) at any time not later than two (2) Business Days prior to the date of the meeting directed to be convened by the court for the purposes of considering such a scheme or arrangement (the “**Suspension Date**”),

accompanied by a remittance of the full amount of the aggregate subscription price for the Shares in respect of which the notice is given exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee or his or her Personal Representative(s) which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and terminated.

21. CANCELLATION OF OPTIONS

Any Option granted but not exercised may not be cancelled except with the written consent of the relevant Grantee and the prior approval of the Directors. Where the Company cancels Options and makes a new grant to the same Grantee, such new grant may only be made under the New Share Option Scheme with available unissued Options within the limit approved by the Shareholders pursuant to paragraph 7. The Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

22. EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or whilst the New Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), then, in any such case (other than in the case of capitalisation issue), the Company shall instruct the auditors or independent financial adviser to certify in writing:

- (1) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee,
- (2) the number or nominal amount of Shares to which the New Share Option Scheme relates (insofar as it is/they are unexercised), and/or
- (3) the Exercise Price of any Option,

and an adjustment as so certified by the auditors or the independent financial adviser shall be made, provided that:

- (1) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

- (2) any such adjustment shall be made on the basis that a Grantee shall be given the same proportion of the issued share capital of the Company for which such Grantee would have been entitled to subscribe had the person exercised all the Options held by him immediately prior to such event (as interpreted in accordance with FAQ No. 072–2020 or any further or updated guidance or interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time);
- (3) the issue of securities of the Company for cash or as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (4) in respect of any such adjustments, the auditors or the independent financial adviser must confirm to the Board in writing that the adjustments satisfy the requirements set out in the above, the requirements of Rule 23.03(13) of the GEM Listing Rules, FAQ 072–2020, any relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange and the note thereto from time to time.

Subject to the above principles and certification procedures, the default method of adjustment is set out below:

- (1) In the case of a capitalisation issue or rights issue, the Company would calculate the adjusted number of Options and adjusted Exercise Price by applying the formula prescribed (and as updated from time to time) by the Stock Exchange in section A(a) and A(b), respectively, of the “APPENDIX TO SUPPLEMENTARY GUIDANCE ON GEM LISTING RULE 23.03(13)” (the “**Supplemental Guidance**”) to FAQ No. 072–2020 published by the Stock Exchange, set out below:

new number of Options = existing Options \times F

new Exercise Price = existing Exercise Price \times $\frac{1}{F}$

Where

F = CUM/TEEP

CUM = closing price as shown in the daily quotation sheet of the Stock Exchange on the last day of trading before going ex-entitlement

TEEP (theoretical ex entitlement price) = $\frac{\text{CUM} + [\text{M} \times \text{R}]}{1 + \text{M}}$

M = entitlement per existing Share

R = subscription price;

- (2) In the case of a consolidation, subdivision or reduction of share capital, the Company would calculate the adjusted number of Options and Exercise Price by applying the formula prescribed (and as updated from time to time) by the Stock Exchange in section B of the Supplemental Guidance, set out below:

$$\text{new number of Options} = \text{existing Options} \times F$$

$$\text{new Exercise Price} = \text{existing Exercise Price} \times \frac{1}{F}$$

Where F = subdivision or consolidation or reduction factor.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to this section shall be referred to the decision of the Company's auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final, conclusive and binding on all persons who may be affected thereby.

23. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

24. DURATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date, and expiring at the close of business on the date which falls ten (10) years after the Adoption Date, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

25. ALTERATIONS TO THE TERMS OF THE NEW SHARE OPTION SCHEME

Save for the provisions prescribed below, the specific terms of the New Share Option Scheme may be altered in any respect by a resolution of the Board without the approval of Shareholders of the Company in a general meeting.

- (a) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of participants must be approved by Shareholders in a general meeting.
- (b) Any change to the terms of Share Options granted to a participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Share Options was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (c) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (d) Any change to the authority of the Directors or the administrator of the New Share Option Scheme to alter the terms of New Share Option Scheme must be approved by the Shareholders in a general meeting.

26. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional upon:

- (a) the GEM Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any new Shares which may fall to be allotted and issued by the Company upon the exercise of the Options that may be granted under the New Share Option Scheme; and
- (b) the passing of ordinary resolutions at the EGM approving the adoption of the New Share Option Scheme.

27. LAPSE OF OPTIONS

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the date on which the Grantee commits a breach of paragraph (12);

(c) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (13) to (20); and

(d) the date of the commencement of the winding-up of the Company.

28. TERMINATION

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted but not yet exercised prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

29. MISCELLANEOUS

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (22) above shall be referred to the decision of the Company's auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final, conclusive and binding on all persons who may be affected thereby.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Zhonghua Gas Holdings Limited (the “**Company**”) will be held at 24/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 September 2023 at 10:00 a.m. (or any adjournment thereof) for the following purposes:

ORDINARY RESOLUTION

“**THAT:**

- (a) subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the shares of the Company (the “**Shares**”) which may fall to be issued and allotted pursuant to the exercise of any options which may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which have been produced to the EGM and marked “A” and initialed by the chairman of the EGM for identification purpose, the rules of the New Share Option Scheme be and are hereby approved and adopted and the directors (the “**Directors**”) of the Company be and are hereby authorised to grant options to allot, issue and deal in the Shares as maybe required to be allotted and issued upon the exercise of any option granted thereunder and to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as the Directors may consider necessary, desirable or expedient to effect and implement the New Share Option Scheme;
- (b) the total number of Shares to be allotted and issued pursuant to (a) above, together with any issue of Shares upon the exercise of any options and awards granted under any other share schemes of the Company as may from time to time be adopted by the Company, shall not exceed such number of Shares as equals to 10% of the Shares in issue as at the date of passing of this resolution; and

NOTICE OF EGM

- (c) the sublimit on the total number of Shares that may be issued in respect of all options and awards to be granted to service providers under all the share schemes of the Company of 1% of the total number of Shares in issue on the date of approval of the New Share Option Scheme be and is hereby approved and adopted.”

By order of the Board
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2023

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to Rule 17.47(4) of the GEM Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM convened by this notice is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
4. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any Shares, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said person as present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 11 September 2023 (Monday) to 14 September 2023 (Thursday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 8 September 2023 (Friday).

NOTICE OF EGM

7. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the HKEXnews website (www.hkexnews.hk) and the website of the Company (www.8246hk.com) to notify shareholders of the date, time and place of the adjourned meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.

As at the date of this notice, 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 notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 notice 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 notice misleading.

This notice will remain on the GEM website at www.hkgem.com and, in the case of this notice, on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This notice will also be published on the Company's website at www.8246hk.com.