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CENTRAL DEVELOPMENT HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

**MATERIAL VARIATION OF THE TERMS OF DISCLOSEABLE AND
CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE
BONDS UNDER GENERAL MANDATE
IN RELATION TO THE ACQUISITION OF 35% EQUITY INTEREST
IN THE TARGET COMPANY**

Independent Financial Adviser to the Independent Board Committee and the Shareholders



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from Gram Capital containing its opinion and advice to the Independent Board Committee and the Shareholders is set out on pages 19 to 28 of this circular.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser subject to and upon the terms and conditions of the Agreements
“AGM”	the annual general meeting of the Company held on 8 September 2022
“Agreements”	the 35% equity transfer agreement dated 19 August 2022 (the “ Equity Transfer Agreement ”), supplemental agreement dated 15 November 2022 (the “ First Supplemental Agreement ”) and the Second Supplemental Agreement dated 12 June 2024 entered into between the Vendor, the Purchaser and the Target Company in relation to the sale and purchase of the Sale Shares
“associates”; “connected person(s)”; “controlling shareholder(s)”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Chengdu Kaibangyuan”	Chengdu Kaibangyuan Trading Co., Limited# (成都凱邦源商貿有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Company”	Central Development Holdings Limited 中發展控股有限公司 (stock code: 475), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the convertible bonds in the principal amount of HK\$52,000,000
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$52,000,000 issued by the Company to convert for 70,270,270 new Shares in favour of the Vendor in accordance with the terms and conditions of the Agreements
“Conversion Shares”	70,270,270 new Shares to be allotted and issued by the Company upon the exercise of the conversion rights in respect of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the AGM

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising independent non-executive Directors pursuant to Rule 14A.41 of the Listing Rules being formed for the purpose of advising the Independent Shareholders in relation to the Second Supplemental Agreement and the variation contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement and the variation contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting if the general meeting of the Company was convened to approve the Second Supplemental Agreement and the variation contemplated thereunder
“JV Company”	Anhui Huagang Bochen New Energy Co., Ltd. [#] (安徽華港博臣新能源有限公司), a company incorporated in the PRC with limited liability, 50% equity interest in which is owned by the Target Company
“Latest Practicable Date”	2 July 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser”	Hainan Huagang New Energy Development Co., Ltd. [#] (海南華港新能源開發有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Resources Rich”	Resources Rich Capital Limited, a company incorporated in the British Virgin Islands with limited liabilities

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	Shares representing 35% equity interest in the Target Company, which are legally and beneficially owned by the Vendor
“Second Supplemental Agreement”	the second supplemental agreement dated 12 June 2024 entered into between the Vendor, the Purchaser and the Target Company to amend and supplement certain terms of the Agreements
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Sichuan Huahan”	Sichuan Hua Han Source Development Co., Ltd. [#] (四川華漢能源開發有限公司), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chengdu Huahan Energy Co., Ltd. [#] (成都華漢能源有限公司), a company incorporated in the PRC with limited liability
“Vendor”	Mr. Zhang Bing, a PRC citizen, a Director of the Company and indirectly interested in 49% of the equity interest in Chengdu Kaibangyuan (an indirect non-wholly owned subsidiary of the Company) through Sichuan Huahan which is wholly owned by Zhongtoughongsheng, the entire equity interest of which is owned by the Vendor
“Zhongtoughongsheng”	Zhongtoughongsheng (Beijing) Investment & Fund Management Co., Ltd. [#] (中投宏晟(北京)投資基金管理有限公司), a company incorporated in the PRC with limited liability
“%”	per cent.

[#] The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

LETTER FROM THE BOARD



CENTRAL DEVELOPMENT HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

Executive Directors:

Mr. Wu Hao (*Chairman*)
Mr. Hu Yangjun
Mr. Chan Wing Yuen, Hubert
(*Chief Executive*)
Mr. Zhang Bing

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-Executive Director:

Mr. Li Wei Qi, Jacky

*Principal Place of Business in the
Hong Kong:*

Room 2202, 22/F.
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Jin Qingjun
Ms. Sun Ivy Connie
Ms. Zhong Yingjie, Christina

3 July 2024

To the Shareholders

Dear Sir and Madam,

**MATERIAL VARIATION OF THE TERMS OF DISCLOSEABLE AND
CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE
BONDS UNDER GENERAL MANDATE
IN RELATION TO THE ACQUISITION OF 35% EQUITY INTEREST
IN THE TARGET COMPANY**

INTRODUCTION

References are made to the announcements of the Company dated 19 August 2022, 15 November 2022 and 5 December 2022 (the “**Announcements**”) respectively in relation to the acquisition of 35% equity interest in the Target Company (the “**Acquisition**”) and the issue of Convertible Bonds under the General Mandate. The Acquisition was completed on 5 December 2022.

Reference is also made to the announcement of the Company dated 12 June 2024. The Target Company has advised the Company that the JV Company cannot obtain the Gas Business License by the deadline of 30 June 2024, as originally stated in the First Supplemental Agreement, and anticipates that the JV Company can only obtain the Gas Business License on or before 30 November 2025. On 12 June 2024, the Purchaser (after trading hours) entered into the Second Supplemental Agreement with the Vendor and the Target Company, in order to, among others, amend the post-completion obligations of the

LETTER FROM THE BOARD

Acquisition. Under the Second Supplemental Agreement, if the JV Company cannot obtain the Gas Business License on or before 30 November 2025, the Convertible Bonds will be automatically cancelled on 1 December 2025, the Company will re-transfer the shares of the Target Company to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration on or before 6 December 2025.

The purpose of this circular is to provide you with, among other things:

- (i) the particulars of the Second Supplemental Agreement and the variation contemplated thereunder;
- (ii) a letter from the Independent Board Committee with its recommendation to the Shareholders regarding the Second Supplemental Agreement and the variation contemplated thereunder;
- (iii) a letter from Gram Capital to the Independent Board Committee and the Shareholders; and
- (iv) other information as required under the Listing Rules.

THE SECOND SUPPLEMENTAL AGREEMENT

Date: 12 June 2024 (after trading hours)

Parties:

Purchaser: Hainan Huagang New Energy Development Co., Ltd.

Vendor: Mr. Zhang Bing

Target Company: Chengdu Huahan Energy Co., Ltd.

Consideration

The Acquisition was completed on 5 December 2022. The consideration of HK\$52,000,000 for the sale and purchase of the Sale Shares was settled by the Company allotting and issuing the Convertible Bonds to the Vendor on 5 December 2022. The Convertible Bonds have not been converted as they are subject to the condition that no transfer and/or assignment of Convertible Bonds shall take place before JV Company obtains the Gas Business License.

Post-completion obligations of the Acquisition

The Target Company has advised the Company that the JV Company cannot obtain the Gas Business License by the deadline of 30 June 2024, as originally stated in the First Supplemental Agreement, and anticipates that the JV Company can only obtain the Gas Business License on or before 30 November 2025. The Second Supplemental Agreement amends the Agreements accordingly. If the JV Company cannot obtain the Gas Business License on or before 30 November 2025, the Convertible Bonds will be automatically cancelled on 1 December 2025, the Company will transfer the shares of the Target Company to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration on or before 6 December 2025.

LETTER FROM THE BOARD

The Company continues to monitor the progress of the JV Company in obtaining the Gas Business License after the Acquisition.

TERMS OF CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal terms of the Convertible Bonds

Principal amount	:	HK\$52,000,000
Issue price	:	HK\$0.74
Maturity date	:	the date falling on the 3rd anniversary of the date of issuance of the Convertible Bond
Interest rate	:	Nil
Conversion rights	:	the Bondholder will have the right to convert the whole or part of the principal amount of the Convertible Bond (in integral multiple of HK\$1 million or such lesser amount representing the entire outstanding principal amount of the Convertible Bond) into Conversion Shares at any time and from time to time, during the date of the issuance of the Convertible Bond up to the close of business on the date falling 5 business days prior to the Maturity Date, provided that such conversion would not render Shares in the public hands being less than the minimum public float defined under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules and the Bondholder shall not exercise any conversion right unless it provides evidence to the reasonable satisfaction of exercising the conversion right that the Bondholder and persons acting in concert with it (as defined in the Takeovers Code) will not beneficially own 30% or more of the issued shares and/or or voting rights of the Company immediately after the conversion and/or trigger any mandatory general offer obligations under the Takeovers Code.

LETTER FROM THE BOARD

Conversion Price : the initial Conversion Price is HK\$0.74 per Conversion Share (subject to adjustment) and represents:

- (i) equal to the closing price of HK\$0.74 per Share as quoted on the Stock Exchange on 19 August 2022, being the date of the Agreement;
- (ii) a premium of approximately 0.82% over the average closing price of HK\$0.734 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Agreement; and
- (iii) a discount of approximately 0.27% over the average closing price of HK\$0.742 per Share as quoted on the Stock Exchange for the last 10 trading days immediately preceding the date of the Agreement.

The Conversion Price was determined by the Vendor and the Company on an arm's length basis with reference to the current market price of the Shares as shown above.

The Board considers that the Conversion Price is fair and reasonable.

The net Conversion Price, after deduction of relevant cost and expenses, is approximately HK\$0.726, assuming that 70,270,270 Conversion Shares are issued at the conversion price of HK\$0.74.

Adjustment to Conversion : the Conversion Price will be subject to adjustment for Price events which may have a diluting effect on the share capital of the Company or change the capital structure of the Company, such as consolidation, subdivision or reclassification of Shares, capitalisation of profits and reserves, rights issue of Shares or options over Shares.

Redemption of the Convertible Bonds by the Company : unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the Convertible Bonds by cash on the Maturity Date, the Company may redeem the Convertible Bonds at any time and from time to time before the Maturity Date upon mutual agreement with the Vendor.

LETTER FROM THE BOARD

- Transferability : subject to all applicable laws and regulations and prior notification to the Company, the Convertible Bonds may be assigned or transferred in whole or in part of its principal amount outstanding (in integral multiple of HK\$1 million or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds) to independent third parties, other than the connected person(s) of the Company.
- Voting rights : a Bondholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a Bondholder.
- Listing : the Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds, the Conversion Shares shall be allotted and issued under the General Mandate.
- No application will be made by the Company for the listing of the Convertible Bonds.
- No restriction applies to any subsequent sale of the Conversion Shares.
- Ranking of the Conversion Shares : the Conversion Shares, when allotted and issued, will rank pari passu in all respects with all other existing Shares outstanding at the date of such allotment and issuance and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of such allotment and issuance.
- Ranking of the Convertible Bonds : the obligations of the Company arising under the Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank and shall at all times rank pari passu in all respects among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
- Events of default : after the occurrence of an event of default as specified in the terms and conditions of the Convertible Bonds, any Bondholder may give notice to the Company that the Convertible Bonds is immediately due and payable.

LETTER FROM THE BOARD

The Conversion Shares

Based on the initial Conversion Price of HK\$0.74 per Conversion Share (subject to adjustment) and assuming full conversion of the Convertible Bonds, the Convertible Bonds in the aggregate principal amount of HK\$52,000,000 will be convertible into 70,270,270 Conversion Shares, representing:

- (a) approximately 18.13% of the issued share capital of the Company as at the date of the Agreement;
- (b) approximately 15.35% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares upon full conversion of the Convertible Bonds; and
- (c) the aggregate nominal value of HK\$702,703.

A written approval has been obtained by the Company pursuant to Rule 14A.37 of the Listing Rules, among other things, for the allotment and issuance of the Conversion Shares under the General Mandate.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

The PRC legal adviser (the “**PRC Legal Adviser**”) appointed by the Purchaser provided in its legal opinion (the “**Legal Opinion**”) on 25 June 2024 that the obtaining of the four certificate and permits which are the prerequisites for applying for the Gas Business License, namely 1) the land certificate, 2) the construction land planning permit, 3) the construction project planning permit, and 4) the construction permit, were delayed for the following reasons respectively:

Certificate/Permit	Reason for the delay	Current status
Land certificate	Refusal of relocation by the local residents	Obtained on 12 October 2023
Construction land planning permit	Delay in obtaining the land certificate	Obtained on 25 October 2023
Construction project planning permit	Same as above	Obtained on 29 April 2024
Construction permit (the “ Construction Permit for Main Natural Gas Gateway ”)	Delay in obtaining the construction land planning permit and the construction project planning permit	Pending

LETTER FROM THE BOARD

The delay in obtaining the above four certificate and permits was unforeseeable mainly because the prolonged governmental/administrative procedures involved were not controllable by the JV Company. As of the date of the Legal Opinion, the Company has not yet applied for the Gas Business License. However, the PRC Legal Adviser opines that as no more obstacle in relation to the governmental/administrative approval exists, there will be no legal impairment obstructing the JV Company from obtaining the Gas Business License provided no illegality exists in the process of the application therefor. Accordingly, the Board is of the view that the interest of the Company and its shareholders will not be prejudiced by the Second Supplemental Agreement.

The JV Company is preparing for construction of a main natural gas gateway for obtaining natural gas from supplier(s) (the “**Main Natural Gas Gateway**”), and will (i) commence construction of the Main Natural Gas Gateway after obtaining the Construction Permit for Main Natural Gas Gateway and expects to complete construction of the Main Natural Gas Gateway with all other necessary facilities by December 2024; (ii) commence trial operation for three to six months thereafter; and (iii) apply for the Gas Business License after completion of the aforesaid trial operation.

The Vendor further assures that the conditions for applying for the Gas Business License will be met, various procedures and materials have been approved by the PRC government and the PRC government must grant the Gas Business License if the trial operation after obtaining the Gas Business License is normal. The Vendor has operated the gas business for over 25 years without any material accidents, and the current shareholders of the JV Company have considerable strength and experience in the gas industry. The Board is of the view that the Vendor has provided sufficient assurance on obtaining the Gas Business License by the JV Company.

The Board considers that the terms and conditions of the Second Supplemental Agreement are on normal commercial terms and are fair and reasonable and the Second Supplemental Agreement is in the interests of the Group, the Company and the Shareholders as a whole.

The details of the reasons for and benefits of entering into the Acquisition have already been stated in the announcements dated 19 August 2022, 15 November 2022 and 5 December 2022 and the circular dated 18 November 2022.

INFORMATION OF THE TARGET COMPANY, THE JV COMPANY AND THEIR BUSINESSES

The Target Company, the JV Company and their businesses

The Target Company is principally engaged in investment holding. The Target Company is the beneficial owner of 50% of the entire registered and paid up capital of the JV Company. The JV Company is principally engaged in the construction and operation of natural gas pipeline networks, the operation and maintenance of pipeline corridors, provision of residential heating, and the procurement, transportation and sale of natural gas in Mengcheng County, Anhui Province, the PRC. In 2019, the JV Company entered into a licensing agreement with the Housing and Urban-Rural Development Bureau of Mengcheng County, under which the JV Company was granted a 30-year license to supply heat and steam (except natural gas) to industrial, commercial and corporate entities and urban residents in the county planning area of Mengcheng County. The JV Company is constructing two distributed energy stations, four 20-tonne gas-fired steam boilers, two natural gas gateways and approximately 7 kilometres of heat supply network. As at the date of the Second Supplemental Agreement, the JV Company has not commenced sales.

LETTER FROM THE BOARD

The Target Company has no business operation since its incorporation in January 2021 other than holding 50% of the equity interest in the JV Company since November 2021. The registered capital of the Target Company is RMB60.0 million (equivalent to approximately HK\$69.8 million). The JV Company will be treated as investment in joint venture in the book of the Target Company and the results of JV company will not be consolidated into the financial statements of the Target Company. A summary of the financial information of the JV Company derived from the unaudited financial information for the year ended 31 March 2024 and 31 March 2023 prepared in accordance with the generally accepted accounting principles in the PRC are as follows:

	Year ended 31 March 2023	Year ended 31 March 2024
	<i>'000</i>	<i>'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation	RMB(1,654) (equivalent to approximately HK\$(1,895))	RMB(2,212) (equivalent to approximately HK\$(2,436))
Net loss after taxation	RMB(1,654) (equivalent to approximately HK\$(1,895))	RMB(2,212) (equivalent to approximately HK\$(2,436))
Net asset value	RMB34,206 (equivalent to approximately HK\$39,074)	RMB31,994 (equivalent to approximately HK\$35,296)

A summary of the financial information of the Target Company derived from the unaudited financial information for the years ended 31 March 2024 and 31 March 2023 prepared in accordance with the generally accepted accounting principles in the PRC are as follows:

	Year ended 31 March 2023	Year ended 31 March 2024
	<i>'000</i>	<i>'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation	RMB(1,356) (equivalent to approximately HK\$(1,554))	RMB(980) (equivalent to approximately HK\$(1,079))

LETTER FROM THE BOARD

	Year ended 31 March 2023	Year ended 31 March 2024
	'000	'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss after taxation	RMB(1,356) (equivalent to approximately HK\$(1,554))	RMB(980) (equivalent to approximately HK\$(1,079))
Net asset value	RMB17,880 (equivalent to approximately HK\$20,424)	RMB16,900 (equivalent to approximately HK\$18,644)

The original investment costs of 35% equity interest in the Target Company by the Vendor were approximately in the amount of RMB7.0 million (equivalent to approximately HK\$8.1 million).

The Target Company has incorporated in January 2021 and acquired the 50% of the equity interest in the JV Company in November 2021. The considerations involved is RMB20.0 million (equivalent to approximately HK\$23.3 million) being the original acquisition costs of 50% equity interest in the JV Company by the Target Company.

Prior to the acquisition by the Target Company, one of the 50% equity-interest owner of the JV Company unilaterally terminated the capital investment which led to the JV Company under pressures to settle the outstanding expenses and payment to the contractors.

The Vendor has over 25 years of experience in the energy industry and have a strong network connection with people of the same industry. The Vendor has acquaintance with the owners of the JV Company and was approached by them for cooperation during the shortage of funds of the JV Company for consideration of RMB20.0 million (equivalent to approximately HK\$23.3 million), including RMB6.0 million paid to the former 50% equity-interest owner and RMB14.0 million further capital injection to the JV Company. The consideration of RMB20.0 million (equivalent to approximately HK\$23.3 million) was not assessed based on any fair market valuation but it is an appropriate amount for investment during the shortage of funds of the JV Company. With the capital injection provided by the Target Company in November 2021, the JV Company resumes normal operation and the cash flow forecast as prepared by the management of the JV Company and the Vendor for valuation, indicates that the valuation result of the Target Company is HK\$52 million (rounded).

LETTER FROM THE BOARD

After completion of the Second Supplemental Agreement, the Target Company and JV Company will not be treated as subsidiaries of the Group and their results will not be consolidated into the consolidated financial statements of the Group.

GENERAL INFORMATION OF THE PARTIES

The Company, the Purchaser and the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Purchaser is an indirect wholly-owned subsidiary of the Company through Beijing Jianxinyuan Trading Company Limited (北京建新源貿易有限公司) and incorporated in the PRC with limited liability. The Purchaser is principally engaged in investment holding. The Group is principally engaged in energy and jewelry business in the PRC and Hong Kong.

Information of the Vendor

The Vendor is (i) a Director of the Company; (ii) the ultimate beneficial owner of 49% of the equity interest in Chengdu Kaibangyuan through Sichuan Huahan which is wholly owned by Zhongtoughsheng, the entire equity interest in which is owned by the Vendor, is a substantial shareholder of the Chengdu Kaibangyuan, an indirect non-wholly owned subsidiary of the Company; and (iii) the ultimate beneficial owner of 65% of the equity interest in the Target Company of which the Company has a 35% equity interest. Hence, the Vendor is a connected person both at the Company and at the subsidiary level under the Listing Rules. The Board understands that there is no agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied between (i) the Vendor and its connected person(s) and (ii) Resources Rich and its connected persons(s) other than the Agreements.

Based on the information provided by the Vendor, the Vendor is a merchant and has worked in the energy industry for over 25 years.

Information of shareholder of the remaining 50% interest in the JV Company and its ultimate beneficial owner(s)

The JV Company is owned as to 50% by Huagang Gas Group Co., Ltd whose principal business activities include pipeline gas (natural gas) and bottled gas (liquefied petroleum gas). Huagang Gas Group Co., Ltd is owned as to 51% by Kunlun Energy Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 00135.HK) and 49% by Hebei Huayou Collective Assets Investment Management Centre whose principal business activities include managing and operating the collective assets of its parent company, North China Petroleum Administration Co., Ltd. North China Petroleum Administration Co., Ltd is wholly owned by China National Petroleum Corporation who is wholly owned by State-owned Assets Supervision and Administration Commission of the State Council.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had not carried out any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

FINANCIAL EFFECTS OF THE SECOND SUPPLEMENTAL AGREEMENT

Since the Acquisition was completed in 5 December 2022, entering into the Second Supplemental Agreement would have no impact on the Company's liabilities. The Target Company and the JV Company would not become the subsidiaries of the Company and the financial results, assets and liabilities of the Target Company and the JV Company would not be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

Discloseable Transaction

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition was more than 5% but less than 25%, the Acquisition constituted a discloseable transaction of the Group under Chapter 14 of the Listing Rules.

Connected Transaction

As at the Latest Practicable Date, the Vendor, is (i) a Director of the Company; (ii) the ultimate beneficial owner of 49% of the equity interest in Chengdu Kaibangyuan through Sichuan Huahan which is wholly owned by Zhongtoughongsheng, the entire equity interest in which is owned by the Vendor, is a substantial shareholder of the Chengdu Kaibangyuan, an indirect non-wholly owned subsidiary of the Company; and (iii) the ultimate beneficial owner of 65% of the equity interest in the Target Company of which the Company has a 35% equity interest. Hence, the Vendor is a connected person both at the Company and at the subsidiary level under the Listing Rules, and the Acquisition constituted a connected transaction of the Group under Chapter 14A of the Listing Rules. The Acquisition and the issue of Convertible Bonds as Consideration, but for Rule 14A.37 of the Listing Rules, were subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Second Supplemental Agreement constitutes a material variation of the terms of the Acquisition and therefore are subject to the same reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company has applied for, and on 12 June 2024, the Stock Exchange has granted, a waiver from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Acquisition and the Second Supplemental Agreement, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Second Supplemental Agreement; and (ii) written approvals by Resources Rich which is directly interested in 204,718,000 Shares and such Shares constituted approximately 52.82% of the total number of Shares as at the Latest Practicable Date, had been obtained by the Company for the Second Supplemental Agreement in lieu of convening a general meeting. The written shareholder's approval by Resources Rich in relation to the Second Supplemental Agreement has already been obtained on 12 June 2024.

Mr. Zhang Bing is a Director of the Company. He does not hold any Share in the Company, and therefore cannot exercise any shareholder's vote on the Second Supplemental Agreement but has abstained from voting on the relevant board resolution. None of the other Directors has a material interest in the Second Supplemental Agreement and the variation contemplated thereunder and therefore none of the other Directors was required to abstain from voting on the relevant board resolutions in respect of approving the Second Supplemental Agreement.

INDEPENDENT BOARD COMMITTEE AND GRAM CAPITAL

The Independent Board Committee comprising Mr. Jin Qingjun, Ms. Sun Ivy Connie and Ms. Zhong Yingjie, Christina, all being independent non-executive Directors, has been formed to give advice to the Shareholders as to whether the transaction contemplated under the Second Supplemental Agreement are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, taking into consideration of the advice to be given by Gram Capital.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Second Supplemental Agreement.

RECOMMENDATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular, and the letter from Gram Capital, the Independent Financial Adviser, to the Independent Board Committee and the Shareholders set out on pages 19 to 28 of this circular in connection with the variation contemplated under the Second Supplemental Agreement and the principal factors and reasons considered by Gram Capital in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the variation contemplated under the Second Supplemental Agreement, are in the interest of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Second Supplemental Agreement are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) is of the view that although the Second Supplemental Agreement are not conducted in the ordinary and usual course of business of the Company, they are in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the Second Supplemental Agreement if a physical general meeting were to be convened for the purpose of consideration and if thought fit, approving the Second Supplemental Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Central Development Holdings Limited
Wu Hao
Chairman & Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from Independent Board Committee to Independent Shareholders in relation to the Agreements, the transaction contemplated thereunder, the Proposed Acquisition and the issue of Convertible Bonds for the purpose of incorporation in this circular.



CENTRAL DEVELOPMENT HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

**MATERIAL VARIATION OF THE TERMS OF DISCLOSEABLE AND
CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE
BONDS UNDER GENERAL MANDATE
IN RELATION TO THE ACQUISITION OF 35% EQUITY INTEREST
IN THE TARGET COMPANY**

3 July 2024

To the Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 3 July 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Shareholders as to whether, in our opinion, the Second Supplemental Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. The appointment of Gram Capital as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 19 to 28 of the Circular.

We wish to draw your attention to the “Letter from the Board” and “Letter from Gram Capital” as set out on pages 4 to 16 and pages 19 to 28 to the Circular respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms and conditions of Second Supplemental Agreement, and taking into account the independent advice from Gram Capital, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that although the Second Supplemental Agreement was not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Second Supplemental Agreement are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

As stated in the “Letter from the Board”, the Stock Exchange has granted its approval to waive the physical general meeting requirement on 12 June 2024. We would recommend the Shareholders to vote in favour of the Second Supplemental Agreement if a physical general meeting were to be convened for the purpose of consideration and if thought fit, approving the Second Supplemental Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Central Development Holdings Limited

Jin Qingjun

*Independent non-executive
Director*

Sun Ivy Connie

*Independent non-executive
Director*

Zhong Yingjie, Christina

*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Shareholders in respect of the Proposed Amendment for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

3 July 2024

*To: The Independent Board Committee and the Shareholders
of Central Development Holdings Limited*

Dear Sir/Madam,

MATERIAL VARIATION OF THE TERMS OF DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the proposed amendment of certain terms of the Agreements pursuant to the Second Supplemental Agreement (the “**Proposed Amendment**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 July 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Circular, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, and the Target Company entered into the Equity Transfer Agreement dated 19 August 2022 and the First Supplemental Agreement dated 15 November 2022 in relation to the Acquisition. The Acquisition was completed on 5 December 2022. On 5 December 2022, the Company issued the Convertible Bonds to settle the Consideration.

With reference to the Board Letter,

- (1) The Target Company advised the Company that the JV Company cannot obtain the Gas Business License by the deadline of 30 June 2024, as originally stated in the First Supplemental Agreement, and anticipates that the JV Company can only obtain the Gas Business License on or before 30 November 2025.

LETTER FROM GRAM CAPITAL

- (2) On 12 June 2024, the Purchaser entered into the Second Supplemental Agreement with the Vendor and the Target Company, in relation to the Proposed Amendment. Under the Second Supplemental Agreement, if the JV Company cannot obtain the Gas Business License on or before 30 November 2025, the Convertible Bonds will be automatically cancelled on 1 December 2025, the Company will re-transfer the shares of the Target Company to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration on or before 6 December 2025.
- (3) The Proposed Amendment constitutes a material variation of the terms of the Acquisition and is therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.
- (4) The Company applied for, and on 12 June 2024, the Stock Exchange granted, a waiver from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Acquisition and the Second Supplemental Agreement, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Second Supplemental Agreement; and (ii) written approvals by Resources Rich which is directly interested in 204,718,000 Shares and such Shares constituted approximately 52.82% of the total number of Shares as at the Latest Practicable Date, had been obtained by the Company for the Second Supplemental Agreement in lieu of convening a general meeting.

The Independent Board Committee comprising Mr. Jin Qingjun, Ms. Sun, Ivy Connie and Ms. Zhong Yingjie, Christina, being all of the independent non-executive Directors, has been formed to advise the Shareholders on (i) whether the terms of the Proposed Amendment are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Amendment is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of the business of the Group; and (iii) how the Shareholders should vote in respect of the Proposed Amendment if a physical general meeting was to be convened for the purpose of consideration and if thought fit, approving the Proposed Amendment. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this respect.

LETTER FROM GRAM CAPITAL

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to Acquisition, details of which were set out in the Company's circular dated 18 November 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser. Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposed Amendment. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Target Company, the JV Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Amendment. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Amendment, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in energy business and jewelry business in the PRC and Hong Kong.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 March 2024 as extracted from the Company's annual results announcement for the year ended 31 March 2024 (the "**2023/24 AR Announcement**"):

	For the year ended 31 March 2024 ("FY2023/24") HK\$'000	For the year ended 31 March 2023 ("FY2022/23") HK\$'000	Year-on-year change %
Revenue	188,549	247,893	(23.94)
– Sales of jewelry products	18,000	26,709	(32.61)
– Sales of solar energy products	345	1,541	(77.61)
– Sales of refined oil	64,857	27,927	132.24
– Sales of liquefied natural gas ("LNG")	105,347	191,716	(45.05)
Gross profit	7,736	4,645	66.54
Loss for the year attributable to owners of the Company	(31,050)	(11,906)	160.79

LETTER FROM GRAM CAPITAL

As illustrated in the above table, the Group's revenue for FY2023/24 decreased by approximately 23.94% as compared to that for FY2022/23. With reference to the 2023/24 AR Announcement, such decrease was mainly attributable to the result of decrease in the sales of LNG, as partially offset by increase in sales of refined oil. The Group's gross profit for FY2023/24 increased by approximately 66.54% as compared to that for FY2022/23. With reference to the 2023/24 AR Announcement, such increase was mainly caused by the combined effects of increased sales of refined oil with higher margin and decrease in write-down of inventories in cost of sales.

Loss attributable to owners of the Company for FY2023/24 increased by approximately 160.79% as compared to that for FY2022/23. With reference to the 2023/24 AR Announcement, such increase was mainly attributable to (i) change from net other gains for FY2022/23 to net other losses for FY2023/24; and (ii) increase in finance costs, as partially offset by (i) increase in gross profit as discussed above; and (ii) absence of equity-settled share-based payments.

With reference to the 2023/24 AR Announcement, over the next few years, the PRC will continue to steadily push for industry transformation, deepen the reform process of the oil and gas system, and actively build an efficient supply, storage and marketing system for natural gas. This indicates that natural gas consumption is expected to continue to grow steadily for some time to come. Despite the complexity and volatility of the global energy market, accelerating energy transformation, and increasing uncertainties, refined oil and LNG remain at the core of the world's energy supply. The Group will also capitalise on the business opportunities in the sale of oil and gas products and make positive contributions to the overall business.

Information of the Vendor

With reference to the Board Letter, the Vendor is (i) an Executive Director of the Company; (ii) the ultimate beneficial owner of 49% of equity interest in Chengdu Kaibangyuan, an indirect non-wholly owned subsidiary of the Company; and (iii) the ultimate beneficial owner of 65% of the equity interest in the Target Company. The Vendor is a connected person both at the Company and at the subsidiary level under the Listing Rules.

Information of the Target Company and JV Company

With reference to the Board Letter, the Target Company is principally engaged in investment holding. The Target Company is the beneficial owner of 50% of the entire registered and paid-up capital of the JV Company. The JV Company is principally engaged in the construction and operation of natural gas pipeline networks, the operation and maintenance of pipeline corridors, provision of residential heating, and the procurement, transportation and sale of natural gas in Mengcheng County, Anhui Province, the PRC. In 2019, the JV Company entered into a licensing agreement with the Housing and Urban-Rural Development Bureau of Mengcheng County, under which the JV Company was granted a 30-year license to supply heat and steam (except natural gas) to industrial, commercial and corporate entities and urban residents in the county planning area of Mengcheng County. As at the Latest Practicable Date, the JV Company (i) completed construction of two distributed energy stations, four 20-tonne gas-fired steam boilers and approximately 7 kilometres of heat supply network; (ii) was constructing natural gas gateways ancillary to the aforesaid distributed energy stations; and (iii) was preparing for construction of a main natural gas gateway for obtaining natural gas from supplier(s) (the **"Main Natural Gas Gateway"**). As at the Latest Practicable Date, the JV Company had not commenced sales.

LETTER FROM GRAM CAPITAL

Set out below is the financial information of the Target Company for the two years ended 31 March 2024 prepared in accordance with the generally accepted accounting principles in the PRC as extracted from the Board Letter:

	For the year ended 31 March 2024	For the year ended 31 March 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before and after taxation	(1,356)	(980)
	As at	As at
	31 March 2024	31 March 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net asset value	17,880	16,900

Set out below is the financial information of the JV Company for the two years ended 31 March 2024 prepared in accordance with the generally accepted accounting principles in the PRC as extracted from the Board Letter:

	For the year ended 31 March 2024	For the year ended 31 March 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before and after taxation	(1,654)	(2,212)
	As at	As at
	31 March 2024	31 March 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net asset value	34,206	31,994

Further details of the Target Company and JV Company are set out in the section headed “INFORMATION OF THE TARGET COMPANY, THE JV COMPANY AND THEIR BUSINESSES” of the Circular.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Proposed Amendment

With reference to the Board Letter, the PRC Legal Adviser provided the Legal Opinion which stated that the JV Company delayed in obtaining the following four certificate and permits (in respect of the Main Natural Gas Gateway) which are the prerequisites for applying for the Gas Business License application:

Certificate/Permits	Reason for delay	Status as at the Latest Practicable Date
Land certificate	Refusal of relocation by the local residents	Obtained on 12 October 2023
Construction land planning permit	Delay in obtaining the land certificate	Obtained on 25 October 2023
Construction project planning permit	Delay in obtaining the land certificate	Obtained on 29 April 2024
Construction permit (the “Construction Permit for Main Natural Gas Gateway”)	Delay in obtaining the construction land planning permit and the construction project planning permit	Pending

With reference to the Board Letter and as confirmed by the Directors, the JV Company had not commenced the Gas Business License application as at the Latest Practicable Date. As aforementioned, the JV Company (i) completed construction of two distributed energy stations, four 20-tonne gas-fired steam boilers and approximately 7 kilometres of heat supply network; (ii) was constructing natural gas gateways ancillary to the aforesaid distributed energy stations; and (iii) was preparing for construction of the Main Natural Gas Gateway. As advised by the Directors, the JV Company will (i) commence construction of the Main Natural Gas Gateway after obtaining the Construction Permit for Main Natural Gas Gateway and expects to complete construction of the Main Natural Gas Gateway with all other necessary facilities by December 2024; (ii) commence trial operation for three to six months thereafter; and (iii) apply for the Gas Business License after completion of the aforesaid trial operation. According to the Legal Opinion, there is no legal impairment obstructing the JV Company from obtaining the Gas Business License, provided that (i) the JV Company completed construction of necessary infrastructure and facility; and (ii) there will be no illegal or non-compliant action under the progress of the Gas Business License application.

Given the above, the Purchaser entered into the Second Supplemental Agreement with the Vendor and the Target Company on 12 June 2024 in relation to the Proposed Amendment to allow more time for the JV Company to obtain the Gas Business License (failing which the Convertible Bonds will be automatically cancelled and the Purchaser will re-transfer the Sale Shares to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, since the Acquisition was completed on 5 December 2022, entering into the Second Supplemental Agreement and the Proposed Amendment would have no impact on the Group's assets and liabilities.

With reference to the 2023/24 AR Announcement,

- (1) With gradual deepening of the PRC's dual carbon strategy, a comprehensive policy framework has been put in place that not only accelerates the clean and low-carbon transformation of society, but also encourages the replacement of traditional energy sources with environmentally friendly options, such as natural gas, in various sectors including industrial, construction, heating and transportation. As a highly efficient and green option in the low-carbon transition, natural gas holds a strategically important position in the synergistic development of multiple energy sources, and will serve as a transitional pillar on the road to achieving the dual carbon goal. Concurrently, the PRC is steadily pushing forward reforms in the industry and is committed to strengthening and improving its production, supply, storage and marketing systems for natural gas. According to industry forecasts, the supply and demand for natural gas will continue to rise and develop steadily.
- (2) In light of the above, the Group conducted the Acquisition in 2022 to maximise its operational and management strengths, which will also create synergies with the Group's existing natural gas and solar photovoltaic businesses, thereby enhancing the Group's overall resource allocation efficiency and strengthening the long-term development potential of the energy business. The Target Company will provide the Group with opportunities for future development, enriching the Group's business portfolio and further realising the Group's goal of becoming a supplier of a diversified range of energy products and solutions. The Group will also leverage the Target Company's existing industrial resources, brand image and extensive marketing experience to complement the Group's existing energy business, thereby promoting the rapid development of the Group's diversified energy business.

As stated in the section headed "Information on the Group" above, the Group's revenue generated from sales of LNG represents approximately 77.34% and approximately 56.87% of the Group's total revenue for FY2022/23 and FY2023/24 respectively. Accordingly, the LNG business is one of the key businesses of the Group. The Acquisition is in-line with the Group's development strategy.

Having considered that:

- (i) the LNG business is one of the key businesses of the Group. The Acquisition is in-line with the Group's development strategy;
- (ii) the Proposed Amendment allows more time for the JV Company to obtain the Gas Business License (failing which the Convertible Bonds will be automatically cancelled and the Purchaser will re-transfer the Sale Shares to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration); and
- (iii) entering into the Second Supplemental Agreement and the Proposed Amendment would have no impact on the Group's assets and liabilities,

LETTER FROM GRAM CAPITAL

we are of the view that although the Proposed Amendment is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and its Shareholders as a whole.

Principal terms of the Proposed Amendment

Summarised below are the principal terms of the Proposed Amendment as contained in the Second Supplemental Agreement, details of which are set out in the Board Letter:

Date

12 June 2024 (after trading hours)

Parties

The Purchaser, the Vendor and the Target Company

Consideration

The Acquisition was completed on 5 December 2022. The Consideration of HK\$52,000,000 was settled by the Company allotting and issuing the Convertible Bonds to the Vendor on 5 December 2022. The Convertible Bonds have not been converted as they are subject to the condition that no transfer and/or assignment of Convertible Bonds shall take place before JV Company obtains the Gas Business License.

Post-completion obligations of the Acquisition

With reference to the Board Letter, the Target Company has advised the Company that the JV Company cannot obtain the Gas Business License by the deadline of 30 June 2024, as originally stated in the First Supplemental Agreement, and anticipates that the JV Company can only obtain the Gas Business License on or before 30 November 2025. The Second Supplemental Agreement amends the Agreements accordingly. If the JV Company cannot obtain the Gas Business License on or before 30 November 2025, the Convertible Bonds will be automatically cancelled on 1 December 2025, the Company will transfer the shares of the Target Company to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration on or before 6 December 2025. Other terms of the Agreements remain valid.

As aforementioned, the Proposed Amendment allows more time for the JV Company to obtain the Gas Business License (failing which the Convertible Bonds will be automatically cancelled and the Purchaser will re-transfer the Sale Shares to the Vendor and the Vendor will return the Convertible Bonds to the Company for nil consideration).

In addition, entering into the Second Supplemental Agreement and the Proposed Amendment would have no impact on the Group's assets and liabilities.

Taking into account the above, we consider that the terms of the Proposed Amendment are fair and reasonable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Amendment are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed Amendment is not conducted in the ordinary and usual course of the business of the Company, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Amendment and we recommend the Shareholders to vote in favour of the resolution in this regard if a physical general meeting were to be convened for the purpose of consideration and if thought fit, approving the Proposed Amendment.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Conversion Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Conversion Shares) will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>387,564,000</u>	Shares of HK\$0.01 each	<u>3,875,640</u>

(ii) Immediately after the allotment and issue of the Conversion Shares upon the exercise in full of the conversion rights attached to the Convertible Bonds (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Conversion Shares)

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
387,564,000	Shares of HK\$0.01 each	3,875,640
<u>70,270,270</u>	Conversion Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds in full	<u>702,703</u>
<u><u>457,834,270</u></u>	Total	<u><u>4,578,343</u></u>

All the Shares in issue rank pari passu with each other in all respects, including the rights as to dividends, voting and return of capital. The Conversion Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of allotment and issue of the Conversion Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Listing Rules, were as follows:

(i) Interest in Shares of the Company

Long Positions

Ordinary Shares of HK\$0.01 each

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total interest	Approximate percentage total issued Shares
Mr. Hu Yangjun	Interests of controlled corporation and personal interest	207,784,000 ⁽¹⁾	387,000 ⁽²⁾	208,171,000	53.71%
Mr. Wu Hao	Personal interest	6,036,000	3,800,000 ⁽²⁾	9,836,000	2.54%
Mr. Chan Wing Yuen, Hubert	Personal interest	3,300,000	3,800,000 ⁽²⁾	7,100,000	1.83%
Mr. Zhang Bing	Personal interest	–	74,070,270 ⁽³⁾	74,070,270	19.11%
Mr. Li Wei Qi, Jacky	Personal interest	2,736,000	1,530,000 ⁽²⁾	4,266,000	1.10%
Mr. Jin Qingjun	Personal interest	–	330,000 ⁽²⁾	330,000	0.09%

Notes:

- (1) Mr. Hu Yangjun had a direct interest of 3,066,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.
- (2) These interests represented the interests in underlying Shares in respect of share options granted to the Directors under the Share Options Scheme.

- (3) The interests in underlying Shares are comprised of the Share Options granted by the Company to subscribe for 3,800,000 Shares at exercise price of HK\$0.574 per Share to Mr. Zhang Bing under the share options scheme adopted on 9 September 2016 and the convertible bond of the Company in the principal amount of HK\$52,000,000 issued by the Company to convert for 70,270,270 Shares at conversion price of HK\$0.74 per Share to Mr. Zhang Bing.

Save as disclosed above, as at the Latest Practicable Date, no other Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Other Directors' interest

At the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the Shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since 26 June 2024, being the date of the latest published audited financial statements of the Group. None of the Directors or any of their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (i) the Equity Transfer Agreement;
- (ii) the First Supplemental Agreement;
- (iii) the Second Supplemental Agreement and
- (iv) the Convertible Bond Instrument.

8. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any material litigations or claims and no litigations or claims of material importance is pending or threatened against the Company.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in businesses, which compete or are likely to compete, either directly or indirectly, with the business of the Group.

10. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on Corporate Finance) regulated activity under the SFO
(i)	As at the Latest Practicable Date, the above expert had no shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
(ii)	As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which have been, since 26 June 2024 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (iii) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name in the form and context in which it appears.
- (iv) The letter or report (as the case may be) from the above expert is given as of the date of this circular for incorporation therein.

11. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 26 June 2024, being the date to which the latest published audited financial statements of the Group were made up.

12. GENERAL

- (i) Unless otherwise stated, the English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Mr. Chow Chi Shing (“**Mr. Chow**”). Mr. Chow graduated with a bachelor’s degree in accounting from the Hong Kong University of Science and Technology. Mr. Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.
- (iii) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (iv) The head office is situated at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.
- (v) The principal share registrar of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (vi) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.475hk.com) in accordance with the Listing Rules from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (ii) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (iii) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (iv) the letter from the Independent Board Committee as set out from pages 17 to 18 in this circular;
- (v) the letter from Gram Capital, the Independent Financial Adviser, as set out from pages 19 to 28 in this circular; and
- (vi) this circular.