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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

The Board announces that on 3 August 2009, the Board had conditionally resolved to grant an aggregate of 337,000,000 Options to the Grantees.

The grant of Options to the Grantees is subject to the Shareholders' approval in a general meeting of the Company in accordance with the requirements of the Listing Rules.

A circular containing, among other things, further details in respect of the grant of Options to the Grantees together with a notice of special general meeting of the Company will be despatched to the Shareholders as soon as possible.

This announcement is made pursuant to Rules 17.06A of the Listing Rules.

On 3 August 2009, the Board had conditionally resolved to grant an aggregate of 337,000,000 Options to the following Grantees:

Name of Grantee	Capacity	Number of Options	Approximate % to issued share capital of the Company as at the date of this announcement
Mr. Li Xiao Yun	Executive Director and chairman of the Board	5,000,000	0.15
Mr. Zhu Wei Wei	Executive Director	4,000,000	0.12
Mr. Ma Jin Long	Executive Director	4,000,000	0.12
Mr. Feng Zhuo Zhi	Non-executive Director	3,000,000	0.09
Mr. Joe Yamagata	Non-executive Director	3,000,000	0.09
Mr. R.K. Goel	Non-executive Director	3,000,000	0.09
Mr. Kim Joong Ho	Non-executive Director	3,000,000	0.09
Mr. William Rackets	Non-executive Director	3,000,000	0.09
Mr. Zhao Yu Hua	Independent Non-executive Director	3,000,000	0.09
Dr Mao Er Wan	Independent non-executive Director	3,000,000	0.09
Ms. Wong Sin Yue, Cynthia	Independent non-executive Director	3,000,000	0.09
Mr. Xu Ying	Executive Director	100,000,000	3.00
Mr. Liu Ming Hui	Managing Director	100,000,000	3.00
Mr. Huang Yong	Executive president, employee of the Company	100,000,000	3.00
Total		<u>337,000,000</u>	<u>10.11</u>

According to Rule 17.03(3) of the Listing Rules, the total number of securities which may be issued upon exercise of all Options to be granted under the Share Option Scheme or other schemes must not in aggregate exceed 10% of the relevant class of securities in issue as at the date of approval of the limit. However, a listed issuer may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit. As such, the grant of Options to the Grantees is subject to the Shareholders' approval to be obtained by the Company and details of which are set out in the paragraph headed "Implications under the Listing Rules" below.

Terms of the Options

Subject to the Shareholders' approval to be obtained by the Company at the SGM in accordance with the Listing Rules, the Options will be granted in accordance with the terms of the Share Option Scheme and summary of the principal terms of the Options are set out below:

(a) Duration and the condition

The Options granted to Mr. Xu Ying, Mr. Liu Ming Hui and Mr. Huang Yong have a life of ten years from 3 August 2009, being the date of the grant of the Options, and exercisable upon obtaining Shareholders' approval in respect of the grant at the SGM.

The Options granted to other Grantees have a life of five years from 3 August 2009, being the date of the grant of the Options.

The exercise of the Options by Mr. Xu Ying, Mr. Liu Ming Hui and Mr. Huang Yong, will be subject to a condition that the profit after taxation of the Group as stated in the latest audited report of the Company shall not be less than HK\$1.5 billion. Such condition shall not apply in the event of a change in control of the Company under the Code and Hai Xia ceases to be the substantial Shareholder of the Company. Save for the aforesaid there is no specific performance target before the exercise of the Options and the exercise period of the Options and the Options are exercisable upon obtaining Shareholders' approval in respect of the grant at the SGM.

For other Grantees, the exercise of Options is subject to a condition that they remain as a director of the Company for a period of two years (except for the case of retirement) from the date of grant of the Options upto 2 August 2011 and the exercise period of the Options is from 3 August 2011 to 2 August 2014. Such condition shall not apply in the event of a change in control of the Company under the Code and Hai Xia ceases to be the substantial Shareholder of the Company.

Save as disclosed above, there is no special condition or specific performance target to be fulfilled before the Options can be exercised.

The Shares fall to be issued upon exercise of the Options shall rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Shares.

(b) Subscription Price

In compliance with Rule 17.02(9) of the Listing Rule and the Share Option Scheme, the Options are exercisable at the Subscription Price of HK\$2.10 per Share, which is the highest of (i) HK\$0.01, being the nominal value of a Share; (ii) HK\$2.10, being the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of Options, and (iii) HK\$2.06, being the average closing price of Shares as stated in the daily quotations sheets on the Stock Exchange from 27 July 2009 to 31 July 2009, both dates inclusive (being the five trading days immediately preceding the date of the grant of Options).

(c) Reasons and consideration for the grant of the Options

Each of the Grantees is a Director or senior management of the Company and the Options are proposed to be granted to each of them in recognition of their contributions to the growth of the Group in the past and as an incentive for their continuing commitments and contributions to the Group in the future. The consideration payable on acceptance of the Options is HK\$10.00 for the Options.

INFORMATION ON OPTIONS GRANTED TO THE GRANTEES UNDER THE SHARE OPTION SCHEME

A total of 616,324,711 existing Options have been granted under the Share Option Scheme and remain outstanding up to the date of this announcement. Assuming that the proposed grant of Options to the Grantees is approved by the Shareholders at the SGM and that no Options granted under the Share Option Scheme are exercised from the date of this announcement up to the date of the SGM, the Company will have 953,324,711 Options outstanding immediately after the SGM, representing approximately 28.59% of the total issued share capital of the Company.

For illustration purpose only, the following table illustrates the changes in the shareholdings of the Grantees in the issued share capital of the Company upon the exercise in full of all the Options and the existing Options:

Name of Grantee	No. of Options outstanding as at the date of this announcement	No. of Shares held as at the date of this announcement	No. of Options to be granted	Total number of Shares held upon exercise in full all the Options granted together with the Shares held	Approximate % to issued share capital of the Company as at the date of this announcement
Mr. Li Xiao Yun	10,000,000	-	5,000,000	15,000,000	0.45
Mr. Zhu Wei Wei	10,000,000	-	4,000,000	14,000,000	0.42
Mr. Ma Jin Long	9,240,711	-	4,000,000	13,240,711	0.39
Mr. Feng Zhuo Zhi	-	-	3,000,000	3,000,000	0.09
Mr. Joe Yamagata	-	-	3,000,000	3,000,000	0.09
Mr. R.K. Goel	-	-	3,000,000	3,000,000	0.09
Mr. Kim Joong Ho	-	-	3,000,000	3,000,000	0.09
Mr. William Rackets	-	-	3,000,000	3,000,000	0.09
Mr. Zhao Yu Hua	1,700,000	-	3,000,000	4,700,000	0.14
Dr Mao Er Wan	1,000,000	-	3,000,000	4,000,000	0.12
Ms. Wong Sin Yue, Cynthia	1,700,000	-	3,000,000	4,700,000	0.14
Mr. Xu Ying	95,000,000	-	100,000,000	195,000,000	5.85
Mr. Liu Ming Hui	135,000,000	391,624,000*	100,000,000	626,624,000	18.80
Mr. Huang Yong	22,000,000	50,000,000	100,000,000	172,000,000	5.16
Total	285,640,711	441,624,000	337,000,000	1,064,264,711	31.92

* Among these 391,624,000 Shares, 273,124,000 Shares are beneficially owned by Mr. Liu Ming Hui and 118,500,000 Shares are to be delivered to Hai Xa pursuant to a sale and purchase agreement dated 8 March 2005. Details of the transaction have been set out in the announcement of the Company dated 9 March 2005. As of the date of this announcement, sale and purchase of 71,500,000 Shares had been completed, the outstanding number of Shares to be sold and purchased is 118,500,000 Shares.

IMPLICATION UNDER THE LISTING RULES

Pursuant to Rule 17.03(3) of the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. As mentioned in the paragraph headed "Information on Options granted to the Grantees under the Share Option Scheme" above, as at the date of this announcement, a total of 616,324,711 existing Options have been granted under the Share Option Scheme. Assuming the proposed grant of Options to the Grantees is approved by the Shareholders at the SGM and that no Options granted under the Share Option Scheme are exercised from the date of this announcement up to the date of the SGM, the Company will have 953,324,711 Options outstanding immediately after the SGM, representing approximately 28.59% of the total issued share capital of the Company. As such, the proposed grant of Options to the Grantees will not result in the 30% limit being exceeded.

According to Rule 17.04(1) of the Listing Rules, as each of the Grantees (except Mr. Huang Yong who is an employee to the Company) is a Director (together with Mr. Liu Ming Hui, an executive Director, also being a substantial Shareholder), each respective grant of Options must be approved by the independent non-executive Directors. As such, in pursuance of the meeting of the Board held on 3 August 2009, such proposed grant of Options has been approved by all the independent non-executive Directors (provided that the independent non-executive Director who is the grantee of the Options has abstained from voting of the relevant resolution approving granting of Options to him respectively).

Grant of Options to Mr. Liu Ming Hui

In addition, pursuant to Rule 17.04(1) of the Listing Rules, as Mr. Liu Ming Hui, an executive Director, is a substantial Shareholder and the grant of Options to him would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to him in the 12-month period up to and including the date of such grant in aggregate exceed 0.1% of the issued share capital of the Company and having an aggregate value in excess of HK\$5 million, such grant of Options to him must also be approved by the Shareholders by way of poll in the SGM with Mr. Liu Ming Hui and his respective associates abstaining from voting of the relevant resolution at the SGM.

Grant of Options to Mr. Xu Ying and Mr. Huang Yong

Pursuant to Rule 17.03(4) of the Listing Rules, as the total number of Shares issued and to be issued upon exercise of the Options to be granted to Mr. Xu Ying, an executive Director, and Mr. Huang Yong, an employee of the Company, (including both exercised and outstanding Share Options) in 12-month period exceed 1% of the Shares in issue, such grant must be separately approved by Shareholders in the SGM by way of poll with Mr. Xu Ying and Mr. Huang Yong and their respective associates abstaining from voting.

In this regard, Mr. Huang Yong holding 50,000,000 Shares in total, representing approximately 1.5% of the total issued Shares as at the date of this announcement, will abstain from voting the relevant resolution at the SGM.

Grant of Options to the Grantees (other than Mr. Liu Ming Hui, Mr. Xu Ying and Mr. Huang Yong)

Save as disclosed above, the grant of Options to the Grantees (other than Mr. Liu Ming Hui, Mr. Xu Ying and Mr. Huang Yong as mentioned above) must also be approved by the Shareholders in the SGM by way of poll. In this regard, the Grantees who are also Shareholders will abstain from voting on the relevant resolution at the SGM.

GENERAL

The Directors (including the independent non-executive Directors) consider that the terms of the Options are fair and reasonable. A circular containing, among other things, further details and terms in respect of the grant of the Options to the Grantees together with a notice of special general meeting of the Company will be despatched to the Shareholders as soon as possible.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	board of Directors
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Eligible Participant(s)”	any Director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), or any employee, partner or director of any business consultant, joint venture partner, financial adviser or legal adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group, are eligible for Options under the Share Option Scheme
“Grantees(s)”	Mr. Li Xiao Yun, Mr. Zhu Wei Wei, Mr. Ma Jin Long, Mr. Feng Zhuo Zhi, Mr. Joe Yamagata, Mr. R.K. Goel, Mr. Kim Joong Ho, Mr. William Rackets, Mr. Zhao Yu Hua, Dr. Mao Er Wan, Ms. Wong Sin Yue, Cynthia, Mr. Xu Ying, Mr. Liu Ming Hui and Mr. Huang Yong, all being Eligible Participant(s) to which Options are proposed to be granted under the Share Option Scheme, and the proposed grant of Options to them is subject to the Shareholders’ approval at the SGM
“Group”	the Company and all of its subsidiaries
“Hai Xia”	Hai Xia Finance Holdings Limited, a substantial Shareholder of the Company (as defined under the Listing Rules) holding 346,000,003 Shares as at the date of this announcement, representing approximately 10.38% of the issued share capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“SGM”	the special general meeting to be convened and held by the Company to approve, inter alia, the grant of Options to the Grantees
“Share Option Scheme”	the share option scheme adopted by the Company on 6 February 2003
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option granted under the Share Option Scheme
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the Board
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, 3 August 2009

** for identification purpose only*

As at the date of this announcement, Mr. Li Xiao Yun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Feng Zhuo Zhi, Mr. Joe Yamagata, Mr. R.K. Goel, Mr. Kim Joong Ho and Mr. William Rackets are the non-executive Directors and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.