



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 OPTIONS TO TWO DIRECTORS

The Board has resolved to grant 90,000,000 options and 130,000,000 options under the Share Option Scheme to Mr. Xu and Mr. Liu respectively, both of them are executive Directors.

The grant of the Options to Mr. Liu and Mr. Xu must be approved by the Shareholders 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 the Options, the recommendation of the Independent Board Committee to the Independent Shareholders on the grant of the Options to Mr. Liu together with a notice of extraordinary general meeting of the Company will be despatched to the Shareholders as soon as possible.

THE SHARE OPTION SCHEME

At the special general meeting of the Company held on 6 February 2003, the Shareholders approved and adopted by an ordinary resolution the Share Option Scheme whereby the Directors were authorised to grant options to full-time and part-time employees (including all Directors) of the Group or any other specified participants who, in the absolute opinion of the Board, have contributed to the Group. On 12 August 2004, the limit of the Share Option Scheme was refreshed by an ordinary resolution of the Shareholders at the annual general meeting of the Company pursuant to which the Directors were allowed to grant further options under the Share Option Scheme and other share options schemes carrying the right to subscribe for a maximum of 175,415,176 Shares.

THE OPTIONS

On 6 October 2004, the Board resolved to grant the Options to two Directors, one of them is also a substantial Shareholder, under the Share Option Scheme as follows:

Name of Grantee	Number of Options	Approximate percentage to the total issued share capital of the Company as at the date of this announcement
Mr. Liu	130,000,000	7.41%
Mr. Xu	90,000,000	5.13%
Total	220,000,000	12.54%

Pursuant to rule 17.04(1) of the Listing Rules, the grant of the Options has been approved by the independent non-executive Directors on 6 October 2004. However, the grant of Options is still subject to the Shareholders' approval to be obtained by the Company in accordance with the Listing Rules and details of which are set out in the paragraph headed "Implication under the Listing Rules" below.

Terms of the Options

Subject to the Shareholders' approval to be obtained by the Company 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 have a life of ten years from the date of the grant of the Options in accordance with the Share Option Scheme.

Pursuant to the Share Option Scheme, the Board may at its absolute discretion specify such conditions as it may think fit when granting the options under the Share Option Scheme. With respect to the Options, the exercise of the Options will be subject to the condition that the net asset value of the Group which shall be certified by the auditors appointed by the Company as at the date of the exercise of the Options being not less than HK\$1 billion.

(b) Subscription Price

The Options are exercisable at a Subscription Price of HK\$0.71 per Share. The Subscription Price represents the closing price of the Shares of HK\$0.71 as quoted on the Stock Exchange on 6 October 2004, being the date of the grant of the Options and represents a premium of approximately 13.8% over the average closing price of the Shares of HK\$0.612 as quoted on the Stock Exchange for the five business days immediately preceding 6 October 2004, being the date of the grant of the Options.

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

Mr. Liu and Mr. Xu are the executive Directors and the Options are proposed to be granted to them in recognition of their contribution to the growth of the Group in the past and as an incentive for their continuing commitment and contribution to the Group in the future. The consideration payable on acceptance of the Options is HK\$10.00 for each of Mr. Liu and Mr. Xu.

The details of the other terms of the Options will be further set out in the circular to be despatched to the Shareholders shortly.

INFORMATION ON OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

As at the date of this announcement, the Company has granted 296,640,711 options under the Share Option Scheme, representing approximately 16.92% of the total issued share capital of the Company as at the date of this announcement, of which 175,400,000 options were granted pursuant to the refreshment of the limit of the Share Option Scheme, representing approximately

9.99% of the total issued share capital of the Company as at the date of this announcement. Assuming the grant of the Options are approved by the Shareholders at the extraordinary general meeting of the Company and that no options granted under the Share Option Scheme are exercised from the date of this announcement to the date of the extraordinary general meeting of the Company, the Company will have 516,640,711 options outstanding immediately after the extraordinary general meeting of the Company, representing approximately 29.45% of the total issued share capital of the Company as at the date of this announcement. The particulars of the options granted to Mr. Liu and Mr. Xu under the Share Option Scheme are set out below:

	Approximate percentage to the issued share capital of the Company as at the date of this announcement	Approximate percentage to the issued share capital of the Company as at the date of this announcement	Approximate percentage to the issued share capital of the Company as at the date of this announcement	Number of options outstanding as at the date of this announcement	Approximate percentage to the issued share capital of the Company as at the date of this announcement
Mr. Liu	5,000,000	0.29%	-	5,000,000	0.29%
Mr. Xu	5,000,000	0.29%	-	5,000,000	0.29%
Others	286,640,711	16.34%	-	286,640,711	16.34%
Total	296,640,711	16.92%	-	296,640,711	16.92%

As at the date of this announcement, Mr. Liu is beneficially interested in approximately 385,000,000 Shares, representing approximately 21.95% of the total issued share capital of the Company and Mr. Xu does not hold any Shares. The following table illustrates the changes in the shareholdings of Mr. Liu and Mr. Xu and their respective associates in the issued share capital of the Company upon the exercise in full of all the Existing Options and the Options:

	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options	Approximate percentage of Shares to be issued upon exercise in full of the Existing Options
Mr. Liu	385,000,000	21.95%	5,000,000	0.29%	130,000,000	7.41%	7.70%	26.21%
Mr. Xu	0	0	5,000,000	0.29%	90,000,000	5.13%	5.42%	4.79%
Public	1,369,151,765	78.05%	-	-	-	-	-	69.00%

Note:

These 385,000,000 Shares represent the Shares beneficially owned by and agreed to be acquired by Mr. Liu.

Pursuant to a sale and purchase agreement dated 16 January 2004 and entered into between Heng Fung Holdings Limited and its subsidiaries (together, the "Heng Fung Group") as vendor and Mr. Liu as purchaser, Heng Fung Group has agreed to sell and Mr. Liu has agreed to acquire an aggregate of 250,000,000 Shares. As at the date of this announcement, the sale and purchase of 90,000,000 Shares has been completed. Mr. Liu is currently beneficially interested in 225,000,000 Shares.

IMPLICATION UNDER THE LISTING RULES

The 220,000,000 Shares to be issued upon exercise of the Options represent approximately 12.54% of the total issued share capital of the Company as at the date of this announcement. As the Shares to be issued upon exercise of the Options will be in excess of the 10% scheme mandate limit under the Share Option Scheme, according to rule 17.03(3) of the Listing Rules, the Company must seek separate approval from the Shareholders in a general meeting for the grant of the Options.

Both Mr. Liu and Mr. Xu currently hold 5,000,000 options under the Share Option Scheme, each representing 0.29% of the total issued share capital of the Company as at the date of this announcement. After the grant of the Options, Mr. Liu and Mr. Xu will be interested in the options which would result in the grant of the Shares representing approximately 7.70% and 5.42% respectively of the total issued shares capital of the Company as at the date of this announcement. In accordance with the note to rule 17.03(4) of the Listing Rules, as the grant of the Options to Mr. Liu and Mr. Xu would result in the Shares to be issued upon exercise of all options granted and to be granted to each of Mr. Liu and Mr. Xu in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total issued share capital of the Company, the grant of the Options must be approved by the Shareholders in general meeting with Mr. Liu and Mr. Xu and their respective associates abstaining from voting.

Pursuant to rule 17.04(1) of the Listing Rules, as Mr. Liu is a substantial Shareholder and the grant of the Options 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 representing in aggregate over 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 Mr. Liu must also be approved by the Shareholders in general meeting by poll with all connected persons of the Company abstaining from voting in favour at the general meeting of the Company.

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, the recommendation of the Independent Board Committee to the Independent Shareholders on the grant of the Options to Mr. Liu together with a notice of extraordinary general meeting 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 meaning:

“Board”	board of directors of the Company
“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
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Existing Options”	the options which have been granted to Mr. Liu and Mr. Xu under the Share Option Scheme as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia to advise the Independent Shareholders as to the fairness and reasonableness of the grant of the Options
“Independent Shareholders”	Shareholders other than the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Ming Hui, the managing Director and a substantial Shareholder
“Mr. Xu”	Mr. Xu Ying, the vice-chairman of the Company and an executive Director
“Option(s)”	the 130,000,000 options proposed to be granted to Mr. Liu and the 90,000,000 options proposed to be granted to Mr. Xu under the Share Option Scheme
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company approved and adopted by an ordinary resolution of the Shareholders at the special general meeting of the Company held on 6 February 2003
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a grantee of the Share Option Scheme may subscribe for Shares on the exercise of an option 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 of directors of
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, 8 October 2004

* for identification purpose only

As at the date of this announcement, Mr. Li Xiaoyun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Wu Bangjie is the non-executive Director and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.