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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 SHARE OPTION SCHEME SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of China Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 May 2023 (the “**Announcement**”) in relation to the grant of 3,000,000 Options to an external consultant (the “**Grant**”). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Company would like to provide certain additional information regarding the Grant.

The Board and remuneration committee of the Company (the “**Remuneration Committee**”) are of the view that the Grantee falls within the ambit of “service providers” (as defined under Rule 17.03A(1)(c) of the Listing Rules) for the following reasons:

- (i) The Company is a leading integrated energy supplier and service provider in China that values corporate communications and public relations as vital for its long term growth and development. As a nationwide public utility company that serves tens of millions of households, the Group needs to maintain its corporate image and to adopt a proactive approach in engaging with various key stakeholders, such as the general public, shareholders and investors, and authorities.

To meet the increasing demand and the challenging market conditions, the Company seeks to enhance its corporate communications efforts by engaging a highly qualified and experienced professional to assist on the Company’s corporate communications and positioning. The Company has identified the Grantee as a suitable candidate, given such Grantee’s background and expertise. The Grantee agrees to provide services as a consultant on a continuing basis for an initial two year term until May 2025, including by spending substantial time for the Company, and by representing the Group in the communications with various key stakeholders and also participating in various meetings including performance review with senior management. The Company and the Grantee

will continue to review the effectiveness of the consulting relationship. At the completion of the initial term of service for two years, the Company will discuss with the Grantee on any further engagement, including the form of engagement.

- (ii) The Company considers the Grantee's services, in substance, to be generally equivalent to those of a full-time senior employee in the Company's corporate communications, based on the continuity and frequency of the Grantee's work. The Grantee reports directly to the Company's senior management and has a key role in implementing the Company's corporate communications and public relations strategy. This involves participating in internal discussions, developing and executing plans for engaging with key stakeholders, providing professional analysis and advice on the Company's corporate communications and brand/industry positioning, and carrying out other related tasks as required by the Company.
- (iii) The Company expects the Grantee to achieve the performance targets and objectives that the Company sets for such Grantee from time to time, generally in line with those of an employee of the Group in a similar seniority and role. The Company also expects the Grantee to participate in regular performance review at least on a quarterly basis, based on the criteria of quality, timeliness, effectiveness, and impact of such Grantee's work.

The Board and Remuneration Committee are therefore of the view that the Grantee's services are provided on a continuing or recurring basis in the ordinary and usual course of business of the Company which are in the interests of the long term growth of the Group.

### **Vesting Period**

While the Options do not have a minimum vesting period of 12 months, the Company considers that the grant of Options to the Grantee that is subject to the performance targets and the other conditions as mentioned below, could effectively incentivize the Grantee to contribute to the long-term development and growth of the Group. The reasons are as follows:

- (i) The Options will only vest if the Grantee achieves the performance targets set by the Company from time to time, which will reflect the Grantee's contributions towards the long-term development of the Company. The Company will assess the Grantee's performance based on the performance appraisal results and other relevant factors. This gives the Company the discretion to determine if the Grantee meets the performance targets before the Options vest, and to adjust the targets as needed to align with the Company's strategic objectives. Based on a realistic view of the scope of work and realistically expected time needed for the Grantee to show meaningful performance and quality work output, in the Company's reasonable expectation, the Options will likely to start vested only at least after 12 months.

- (ii) The Options are also conditional on the Grantee remaining as a consultant of the Company at the time of exercise. Moreover, the Options will lapse if the Grantee ceases to provide service to the Company, or engages in any serious misconduct, bankruptcy, insolvency, criminal offence, or other breach of his service contract, unless the Company decides otherwise. These conditions protect the Company's interests and encourage the Grantee to maintain a good relationship with the Company and to uphold high standards of conduct.
- (iii) The Company considers that having a fixed vesting period (e.g. 12 months) would not be suitable for the Company's needs. This is because the Company may not want the Options to vest automatically after a certain period, regardless of the Grantee's performance or the Company's situation. Instead, the Company prefers to have the flexibility to decide whether and when the Grantee has met the performance targets and earned the right to exercise the Options. The Company believes that this structure would better align the Grantee's interests with the long-term development and growth of the Company, as the Grantee would have to perform well and to continue to provide service to the Company in order to exercise the Options.

By linking the exercise of the Options to the achievement of the performance targets, the Company aims to incentivize the Grantee to contribute to the long-term development and growth of the Group, as well as to align the Grantee's interests with those of the shareholders. The absence of a minimum vesting period for the Options does not undermine this purpose, as the Grantee will only be able to exercise the Options upon meeting the performance targets set by the Company from time to time. The Company believes that this arrangement will motivate the Grantee to perform at a high level and to pursue the best interests of the Group.

### **Performance Targets**

The Company has established an appraisal mechanism to assess the fulfilment of performance targets by its employees, which are linked to the Company's strategic goals and values. The appraisal mechanism uses a scoring system based on a matrix of qualitative and quantitative indicators that vary according to the roles and responsibilities of the relevant employees. The indicators include, but are not limited to, measures of work quality, efficiency, collaboration, management and strategy. The scoring system evaluates both the employee's regular duties and the strategic objectives or tasks assigned for the appraisal period. The Company intends to make reference to this appraisal mechanism to set and

review the performance targets of the Grantee periodically. Also, the Grantee is expected to participate in regular reviews with supervisor, as part of the Company's process of monitoring and tracking the progress and achievements of the performance targets, providing feedback and guidance, and revising the action plan for the Grantee as needed.

The Company expects that the performance targets to be set for the Grantee will aim to, among other things, enhancing the communications with, and recognition from, stakeholders including investors by taking into account, among other things, the frequency, level and quality of engagements with stakeholders with a view to promoting the Company's corporate image, positioning and strengths and strategies. This shall be supported by, among other things, endorsements from stakeholders on the effectiveness of such engagements and communications.

By the order of the Board  
**China Gas Holdings Limited**  
**LIU Ming Hui**  
*Chairman and President*

Hong Kong, 20 June 2023

*As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching, Ms. LIU Chang and Mr. ZHAO Kun are the executive directors of the Company; Mr. XIONG Bin, Mr. LIU Mingxing, Mr. JIANG Xinhao and Mr. Mahesh Vishwanathan IYER are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan, Mr. ZHANG Ling and Dr. MA Weihua are the independent non-executive directors of the Company.*

\* *For identification purpose only*