



CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 384)

** For identification purposes only*

**TERMS OF REFERENCE
REMUNERATION COMMITTEE**

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THE REMUNERATION COMMITTEE**

The board of directors (the “Board”) of China Gas Holdings Limited (the “Company”) has established a Remuneration Committee on 8 July 2005 and approved its terms of reference. The Board had on 16 November 2007 amended the terms of reference of the Remuneration Committee.

1. Membership.

- 1.1 The Remuneration Committee (“Committee”) shall comprise three independent non-executive directors and the Managing Director.
- 1.2 The Board shall appoint the Committee Chairman who shall be an independent non-executive director.
- 1.3 Only members of the Committee have the right to attend Committee meetings. Other executives of the group including the Chairman of the Board, members of the senior management and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

2. Secretary.

- 2.1 The Company Secretary shall act as the Secretary of the Committee (“Secretary”).

3. Quorum.

- 3.1 The quorum necessary for the transaction of business shall be two (2). A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by, the Committee.

4. Frequency of Meetings.

- 4.1 The Committee shall meet at least once every financial year and at such times as the Chairman of the Committee shall require.
- 4.2 Meetings of the Committee shall be convened by the Secretary at the request of the members of the Committee. The Secretary shall convene a meeting of the Committee of which notice may be given in writing or by telephone or in such other manner as the Committee may from time to time determine.

5. Minutes of Meeting

- 5.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings.
- 5.2 Draft and final versions of minutes of Committee meetings shall be circulated to all members of the Committee for their comments and records, and once agreed by any three members of the Committee, shall be made available to all members of the Board.

6. Duties

6.1 The Committee shall:

- (i) recommend the Board on policy and structure for all remuneration of directors and senior management and to establish a formal and transparent procedure for developing policy on such remuneration;
- (ii) determine specific remuneration packages of all executives directors and senior management, including benefit-in-kind, pension rights and compensation payable for loss or termination of office or appointment;
- (iii) make recommendations to the Board of the remuneration of non-executive directors;
- (iv) review and approve the termination and compensation payments for executive directors and senior management that such compensation is fair and not excessive for the Company;
- (v) ensure appropriate disclosure in relation to remuneration issues in accordance with Listing Rules for inclusion in annual report and accounts and other relevant documents;
- (vi) approve all service agreements make between the Company and executive directors upon advice of the Managing Director (other than in respect of his own contract);
- (vii) ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;

6.2 With the support and information provided from external and internal services, the Committee should ensure that:

- (i) the salary and overall package of the executive directors and the senior management are consistent with appropriate external comparison, are competitive and that they ensure effective recruitment, retention and motivation of executive directors and senior management;
- (ii) bonus arrangements and other long term plans are appropriate for the requirement of the business; and
- (iii) the Committee provides to the Board an objective and independent assessment of the benefits available to Directors.

7. Authority

7.1 The Committee is authorised by the Board, with the assistance of the Company Secretary, to seek any information it requires from any employee of the Company or group in order to perform its duties.

7.2 In connection with its duties the Committee is required by the Board to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.

7.3 Although the Committee can seek the advice and assistance from any of the Company's executives, it will ensure that this role is clearly separated from their role within the business and to ensure that all the information they obtained from the Company shall keep confidential.

8. Annual General Meeting

8.1 The Chairman of the Committee shall attend the annual general meeting of the Company and be prepared to respond to shareholders' question on the activities of the Committee.

9. Other

9.1 The Committee shall review annually its terms of reference, performance and constitution and recommend any changes it considers necessary to the board for approval.