THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Gas Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities nor is it calculated to invite any such offer.

CHINA GAS
中國燃氣

CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

DISCLOSABLE AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE GAS INVESTMENT HOLDINGS LIMITED

POSSIBLE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

RE-ELECTION OF MR. HO YEUNG AND MS. CHEN YANYAN AS INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

ING

A letter from the Board is set out on pages 7 to 28 of this circular. A letter from the Independent Board Committee is set out on page 29 to 30 of this circular. A letter from ING Bank N.V. containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 49 of this circular.

A notice convening the SGM to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 3:00 p.m. on Friday, 8 February 2013 is set out on pages 77 to 79 of this Circular. Whether or not you wish to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the SGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

22 January 2013

* *For identification purposes only*

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares of Fortune Gas by the Company from the Sellers as contemplated under the Share Purchase Agreement
"AMB"	Anti-Monopoly Bureau of the Ministry of Commerce of the PRC
"AML"	Anti-Monopoly Law of the PRC
"Announcement"	the announcement of the Company dated 18 December 2012 in relation to, among other things, the Acquisition
"associates"	has the meaning as prescribed to it under the Listing Rules
"Benchmark Share Price"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Number of Consideration Shares" of this circular
"Board"	the board of Directors
"Business Days"	a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the PRC, Hong Kong and London
"Bye-laws"	the bye-laws of the Company
"Cash Payment"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular
"CBM"	coal bed methane
"CGGL"	China Gas Group Limited
"China United Shanxi"	China United Shanxi CBM Co., Ltd.
"CNG"	compressed natural gas
"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 (stock code: 384)
"Completion"	the completion of the Acquisition
"Completion Date"	the date of Completion

"Conditions"	the Conditions of the Completion, which are set out in the paragraph headed "Letter from the Board – Conditions to the Completion of the Share Purchase Agreement" of this circular
"Consideration Shares"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular, individually a "Consideration Share"
"Difference"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Number of Consideration Shares" of this circular
"Directors"	the directors of the Company
"Election Period"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular
"Enlarged Group"	the Group as enlarged by the Acquisition
"Exercise Request"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular
"Financial Adviser"	PricewaterhouseCoopers Corporate Finance Limited, being the financial adviser appointed by the Company to advise on the forecast underlying the valuation pursuant to Rule 14.62(3) of the Listing Rules
"Fortune Gas"	Fortune Gas Investment Holdings Limited, a company incorporated and registered under the laws of Hong Kong, the entire issued share capital of which is conditionally agreed to be acquired by the Purchaser from the Sellers pursuant to the Share Purchase Agreement
"Fortune Green"	Fortune Green Energy Limited
"Fortune Liulin"	Fortune Liulin Gas Co., Ltd.
"Fortune Oil"	Fortune Oil PRC Holdings Limited, a company incorporated and registered under the laws of Hong Kong, being one of the Sellers
"Group"	the Company and its subsidiaries

"Guarantor"	Fortune Oil PLC, being the holding company of Fortune Oil and a company incorporated and registered under the laws of England and Wales, the shares of which are listed on the Main Market of the London Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising Mr. Zhao Yuhua, Dr. Mao Erwan, Ms. Wong Sin Yue, Cynthia, Mr. Ho Yeung and Ms. Chen Yanyan, being all the independent non-executive directors of the Company, established to advise the Independent Shareholders in respect of the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate
"Independent Financial Adviser"	ING Bank N.V., being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate
"Independent Shareholders"	for the purpose of considering, and if thought fit, approving the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate, the Shareholders other than Fortune Oil, the Guarantor, Mr. Liu and their respective associates
"Interest Element"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular
"Latest Practicable Date"	21 January 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Liaoning New Energy"	Liaoning New Energy Company Limited
"Liaoning Transportation"	Liaoning New Energy Transportation Company
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Permission"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"Mr. Ho"	Mr. Ho Yeung
"Mr. Liu"	Mr. Liu Ming Hui, the Managing Director of the Company
"Ms. Chen"	Ms. Chen Yanyan
"NDRC"	The National Development and Reform Commission of the PRC
"Net Profit"	in respect of a financial year, means the audited consolidated net profit of Fortune Gas audited by an international firm of accountants based on the Hong Kong Financial Reporting Standards applying consistently throughout accounting policies consistent with those applied by the Company for the year ended 31 December 2011 ("**Current Accounting Policies**") after adjustments to remove (i) Non-recurring Items (both operating and non-operating in nature, including any write-back of accruals or provisions), and (ii) the effect of changes in accounting policies or significant accounting estimates (other than any change for the purposes of aligning the accounting policies of Fortune Gas and its subsidiaries to the Current Accounting Policies) and (iii) the effect of any change in accounting standard and policies required due to a change in the relevant accounting principles after the date of the Share Purchase Agreement, whether or not applying for retrospective accounting periods
"Non-recurring Items"	(i) profit and loss arising from disposal of assets, and (ii) profit and loss arising from trading and any investments relating to non-core businesses (excluding the profit and loss arising from the trading of raw materials relating to the core business of Fortune Gas and the trading of non-self produced products of Fortune Gas); and (iii) profit and loss arising from the fair value adjustment of any of Fortune Gas's financial derivatives issued by it
"PRC"	The People's Republic of China
"Product"	has the meaning as ascribed to it in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Number of Consideration Shares" of this circular

"Purchaser"	China Natural Gas Investment Limited, a company incorporated and registered under the laws of the British Virgin Islands, being a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the entire issued share capital of Fortune Gas
"Second Cash Consideration"	has the meaning as ascribed in the paragraphs headed "Letter from the Board – Consideration and Consideration Shares – The Consideration" of this circular
"Sellers"	collectively, Fortune Oil and Wilmar International, and each a "Seller"
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting to be convened by the Company to consider and approve the Acquisition, the transactions contemplated under the Share Purchase Agreement, the Specific Mandate and the re-election of Mr. Ho and Ms. Chen as independent non-executive directors of the Company
"Share Purchase Agreement"	the conditional sale and purchase agreement dated 16 December 2012 entered into among the Purchaser, the Company, the Sellers and the Guarantor in relation to the Acquisition
"Shareholders"	holders of Shares
"Shares"	the shares of the Company, and each a "Share"
"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Independent Shareholders to allot and issue the Consideration Shares at the SGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZSE"	The Shenzhen Stock Exchange
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"UK Listing Rules"	the Rules Governing the Listing of Securities on London Stock Exchange PLC
"US$"	US dollars, the lawful currency of the United States of America

"Valuer"	CBRE HK Ltd.
"Wilmar International"	Wilmar International Limited, a company incorporated and registered under the laws of Singapore, the shares of which are listed on the Singapore Stock Exchange, being one of the Sellers
"%"	per cent

For the purpose of this circular, unless otherwise indicated, conversion of US$ into HK$ is calculated at the exchange rate of US$1 to HK$7.8 and convertion of RMB into HK$ is calculated at the exchange rate of RMB1 to HK$1.24. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

Executive Directors:
Mr. LIU Ming Hui *(Managing Director and President)*
Mr. LEUNG Wing Cheong, Eric *(Deputy Managing Director)*
Mr. PANG Yingxue
Mr. ZHU Weiwei
Mr. MA Jinlong

Non-executive Directors:
Mr. FENG Zhuozhi
Mr. Jo YAMAGATA
Mr. P. K. JAIN
Mr. MOON Duk Kyu
Mr. KIM Yong Joong *(alternate to Mr. MOON Duk Kyu)*

Independent non-executive Directors:
Mr. ZHAO Yuhua
Dr. MAO Erwan
Ms. WONG Sin Yue, Cynthia *(Chairperson)*
Mr. HO Yeung
Ms. CHEN Yanyan

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1601
16th Floor
AXA Centre
151 Gloucester Road
Wan Chai
Hong Kong

22 January 2013

To the Shareholders

Dear Sir/Madam,

DISCLOSABLE AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE GAS INVESTMENT HOLDINGS LIMITED

POSSIBLE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

RE-ELECTION OF MR. HO YEUNG AND MS. CHEN YANYAN AS INDEPENDENT NON-EXECUTIVE DIRECTORS

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition ("**Announcement**").

* *For identification purposes only*

On 16 December 2012, the Company, the Purchaser (being a wholly-owned subsidiary of the Company), the Sellers and the Guarantor entered into the Share Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, in the aggregate, the entire issued share capital of Fortune Gas from the Sellers for a total consideration of US$400,000,000 (equivalent to approximately HK$3,120,000,000).

Pursuant to Bye-law 86(2) of the Bye-Laws, Mr. Ho and Ms. Chen, both being independent non-executive Directors of the Company appointed by the Board, shall hold office only until the next following general meeting of the Company (i.e., the SGM). As such, the Board proposes ordinary resolutions to be passed at the SGM to re-elect Mr. Ho and Ms. Chen as independent non-executive Directors of the Company. The biographical details of Mr. Ho and Ms. Chen are set out in Appendix IV.

The purpose of this circular is to provide you with (i) further details of the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate; (iii) a letter of advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the re-election of Mr. Ho and Ms. Chen as independent non-executive directors of the Company; (v) certain information as required by the Listing Rules; and (vi) notice of the SGM.

DETAILS OF THE SHARE PURCHASE AGREEMENT

Date	:	16 December 2012
Parties		
The Sellers	:	Fortune Oil PRC Holdings Limited (i.e., Fortune Oil)
		Wilmar International Limited (i.e., Wilmar International)
		To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, Wilmar International and its controlling shareholders (who are a group of persons entitled to control the exercise of more than 30% of the voting rights of Wilmar International) are third parties independent of the Company and its connected persons. The shares of Wilmar International are listed on the Singapore Stock Exchange
The Purchaser	:	China Natural Gas Investment Limited, being a wholly-owned subsidiary of the Company
The Company	:	China Gas Holdings Limited
The Guarantor	:	Fortune Oil PLC

The Guarantor is the holding company of Fortune Oil. It has irrevocably and unconditionally agreed to (i) guarantee to the Purchaser the punctual performance of all the obligations of Fortune Oil under the Share Purchase Agreement and other incidental documents; (ii) guarantee the payment obligations of Fortune Oil under the Share Purchase Agreement and other incidental documents; and (iii) indemnify the Purchaser against any losses suffered by the Purchaser in consequence of Fortune Oil's failure to perform any of its obligations under the Share Purchase Agreement and other incidental documents or if any obligation guaranteed by the Guarantor is or becomes unenforceable, invalid or illegal.

Subject matter

Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire from Fortune Oil and Wilmar International 85% and 15% of the entire issued share capital of Fortune Gas, respectively, free from all encumbrances and together with all rights attaching to them or becoming attached or accruing thereto on or after Completion.

Details of Fortune Gas are set out in the section headed "Letter from the Board – Information of the Group, the Purchaser, the Sellers, the Guarantor and Fortune Gas" in this circular.

Consideration and Consideration Shares

The consideration

The aggregate consideration for the Sale Shares payable to the Sellers shall be US$400,000,000 (equivalent to approximately HK$3,120,000,000), which shall be settled by the Purchaser in the following manner:

(i) as to US$200,000,000 (equivalent to approximately HK$1,560,000,000) by payment in cash, US$170,000,000 (equivalent to approximately HK$1,326,000,000) of which shall be paid to Fortune Oil or its nominee, and US$30,000,000 (equivalent to approximately HK$234,000,000) of which shall be paid to Wilmar International or its nominee, at Completion, by wire transfer of immediately available funds to the their respective bank accounts or by such other method as the Purchaser and each Seller may agree in writing;

(ii) as to US$200,000,000 (equivalent to approximately HK$1,560,000,000) by payment in cash ("**Second Cash Consideration**") plus interest accrued thereon at the rate of 6% per annum ("**Interest Element**") (on the basis of a 360 day/year) from the Completion Date up to and including the date of payment of the Second Cash Consideration. Without taking into account of the Interest Element, the Purchaser shall pay US$170,000,000 (equivalent to approximately HK1,326,000,000) and US$30,000,000 (equivalent to approximately HK$234,000,000) to Fortune Oil and Wilmar International, respectively, by wire transfer of immediately available funds to the Sellers' bank accounts or by such other method as the Purchaser and each Seller may agree in writing, within 30 days of the expiry of the Election Period provided that Completion shall have taken place before the commencement of the Election Period. For the avoidance of doubt, the Interest Element will only be payable if the Second Cash Consideration is paid or in the case where any condition to the issue of the Consideration Shares is not satisfied, but not if any Consideration Shares are issued to the Sellers.

Fortune Oil may, for itself and on behalf of Wilmar International, elect to request the Purchaser and the Company to replace the Second Cash Consideration with new Shares in accordance with the terms of the Share Purchase Agreement. During the period between 1 November 2013 to 31 December 2013 (or such other period as the Purchaser and the Sellers may agree in writing) ("**Election Period**"), Fortune Oil may serve a written notice on the Purchaser and the Company (with a copy delivered to Wilmar International on the same date) ("**Exercise Request**") requesting the Purchaser and the Company to satisfy all of the Second Cash Consideration by the Company allotting and issuing up to 250,000,000 new Shares ("**Consideration Shares**") and, where applicable, any cash payment ("**Cash Payment**") calculated in accordance with the formula set out in in the paragraph headed "The Number of Consideration Shares" below, provided that Completion shall have taken place before the commencement of the Election Period. The payment obligation of the Purchaser and the Company shall be regarded as fully discharged upon those Consideration Shares are duly issued and allotted and, where applicable, the Cash Payment is made.

Fortune Oil may, for itself and on behalf of Wilmar International, during the Election Period by informing the Purchaser in writing, elect to forego its entitlement to serve the Exercise Request. In such event, the Purchaser shall pay the relevant portion of the Second Cash Consideration together with the Interest Element to Fortune Oil and Wilmar International within the expiry date of the Election Period or 30 days after the date of such written notice from Fortune Oil, whichever is later.

Each of the Sellers shall confirm in the Exercise Request that the Sellers together with their respective parties acting in concert (as defined under the Takeovers Code) will not as a result of the acquisition of the Consideration Shares incur any obligation under Rule 26 of the Takeovers Code to make a mandatory offer for all the Shares not held or agreed to be acquired by them and their parties acting in concert.

The issue and allotment of any Consideration Shares to either of the Sellers pursuant to an Exercise Request shall be subject to (i) the grant by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Consideration Shares ("**Listing Permission**") and (ii) the approval of the Board at that time.

The Company shall within 5 Business Days from the date of receipt of the Exercise Request convene a Board meeting to consider the approval of the issue and allotment of the Consideration Shares and (subject to such board approval being obtained) submit an application for the Listing Permission within 1 Business Day after the date of the relevant Board meeting.

If the Consideration Shares shall be issued, the Company shall issue such Consideration Shares within 3 Business Days after the fulfilment of the conditions to the issue. If the Cash Payment is payable, the Purchaser shall make such Cash Payment within 10 Business Days after the issuance of the relevant Consideration Shares. If either of the conditions to the issue is not satisfied, the Purchaser shall pay the Second Cash Consideration together the Interest Element within 30 days from the date on which the Purchaser is aware that the relevant condition is not satisfied.

The number of Consideration Shares

If any Consideration Shares shall be issued to the Sellers under Share Purchase Agreement, then the following shall apply:

(i) If the product ("**Product**") of 250,000,000 Shares and the Benchmark Share Price (as defined below) is equal to US$200,000,000, then the Consideration Shares issuable to Fortune Oil and Wilmar international shall be 212,500,000 Shares and 37,500,000 Shares, respectively.

(ii) If the Product is higher than US$200,000,000, then the Consideration Shares issuable shall be calculated as follows:

Adjusted CS	=	US$200,000,000/BSP

where:

Adjusted CS	=	the adjusted number of Shares, apportioned as between Fortune Oil and Wilmar International in the ratio of 85:15
BSP	=	the Benchmark Share Price.

(iii) If the Product is lower than US$200,000,000 (the difference between these figures shall be referred to as the "**Difference**"), then the Consideration Shares issuable to Fortune Oil and Wilmar International shall be 212,500,000 Shares and 37,500,000 Shares, respectively. In addition to the issuance of such Consideration Shares, the Purchaser shall make a Cash Payment of, in the case of Fortune Oil, 85% of the Difference, and in the case of Wilmar International, 15% of the Difference, in cash by wire transfer of immediately available funds to the relevant Seller's bank accounts or by such other method as the Purchaser and the relevant Seller may agree in writing.

The number of Consideration Shares shall be rounded down to the nearest whole number in case of fractional shares.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the day of the issue of the Consideration Shares, the maximum number of the Consideration Shares to be issued shall be 250,000,000 Shares, representing:

(a) approximately 5.47% of the issued share capital of the Company as at the Latest Practicable Date; and

(b) approximately 5.19% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The **Benchmark Share Price** shall be the average closing price per Share (as appearing on or derived from Bloomberg or any successor service) for the thirty (30) consecutive trading days immediately prior to the date of the Exercise Request, provided that if at any time during any of the above trading day periods the

Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend, then the quotations on the dates on which the Shares shall have been quoted ex-dividend shall be deemed to be the closing price thereof (as appearing on or derived from Bloomberg or any successor service) plus an amount equal to the amount of such dividend per Share.

The Benchmark Share Price cannot be ascertained as at the Latest Practicable Date. The maximum number of Consideration Shares that may be issued is 250,000,000 Shares. If the number of Shares to be actually issued pursuant to the above formulae is exactly 250,000,000 Shares, the issue price per Share would be US$0.8 (equivalent to approximately HK$6.24), which represents:

(a) a discount of approximately 9.70% to the closing price of HK$6.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 9.04% to the average closing price of HK$6.86 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 21 January 2013, being the Latest Practicable Date; and

(c) a premium of approximately 178.57% to the price of HK$2.24 per Share, being the net assets value per share of the Company as disclosed in the latest audited accounts of the Company for the year ended 31 March 2012.

Currency conversion

All payments under the Share Purchase Agreement shall be made in US$. Except as otherwise expressly provided in the Share Purchase Agreement or agreed by the parties, whenever payments or calculations to be made pursuant to the Share Purchase Agreement require the conversion between or comparison of RMB, HK$ and US$, the exchange rate to be applied shall be (a) in the case of RMB and US$, the median rate between the buying rate and the selling rate of US$ to RMB or RMB to US$ (as the case may be) as announced by the People's Bank of China on the day preceding the day the relevant conversion or comparison is made; (b) in the case of RMB and HK$, the median rate between the buying rate and the selling rate of HK$ to RMB or RMB to HK$ (as the case may be) as announced by the People's Bank of China on the day preceding the day the relevant conversion or comparison is made; and (c) in the case of US$ and HK$, the median rate between the buying rate and the selling rate (for telegraphic transfer) of US$ to HK$ or HK$ to US$ (as the case may be) as announced by The Hong Kong Shanghai Banking Corporation Limited on the day preceding the day the relevant conversion or comparison is made.

The Specific Mandate

Pursuant to the Share Purchase Agreement, up to 250,000,000 Consideration Shares will be issued by the Company to the Sellers under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

The Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing Shares then in issue. An application will be made by the Company to the Stock Exchange for the Listing Permission within 1 Business Day after the date of the relevant Board meeting to consider the approval of the issue and allotment of the Consideration Shares, if the issue is so approved.

Basis of determination of the consideration

The consideration for the Acquisition was agreed between the Purchaser and the Sellers after arm's length negotiations with reference to (i) the appraised fair value of 100% equity interest in Fortune Gas as at 31 July 2012 of RMB2,737,061,000 (equivalent to approximately HK$3,393,955,640) as set out in a valuation report of Fortune Gas prepared by the Valuer; and (ii) the valuation in other market examples of acquisitions involving comparable PRC companies in the same industry. Given that the valuation of Fortune Gas involves the use of the discounted cash flow methodology, the valuation report prepared by the Valuer is regarded as a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are applicable accordingly. The principal assumptions upon which the profit forecast for Fortune Gas was made are set out in "Appendix I – Valuation Report by the Valuer" to this circular.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged its auditors, Deloitte Touche Tohmatsu, to review the accounting policies and calculations under the valuation. Deloitte Touche Tohmatsu is satisfied with the calculations under the valuation. A letter from Deloitte Touche Tohmatsu for the purpose of Rule 14.62 of the Listing Rules is set out in 'Appendix II – Letter from the Auditor in relation to the Valuation Report' to this circular.

Also in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged the Financial Adviser to review the procedures undertaken by the Directors of the Company in preparing the forecast underlying the valuation prepared by the valuer. The Financial Adviser is satisfied that the forecast has been made by the Board after due and careful enquiry. A letter from the Financial Adviser for the purpose of Rule 14.62(3) of the Listing Rules is set out in 'Appendix III – Letter from the Financial Adviser in relation to the Forecast Underlying the Valuation' to this circular.

The Board (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) considers that the consideration for the Acquisition is fair and reasonable.

Effect of the issue of the Consideration Shares on the shareholding structure of the Company

Assuming there is no change to the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date and up to the day on which the Consideration Shares are issued, the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue of the Consideration Shares will be as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the issue of the Consideration Shares	
	Number of shares	*Approximate %*[7]	*Number of Shares*	*Approximate %*[7]
The Sellers and parties holding Shares together				
The Sellers				
Fortune Oil [1 and 2]	627,446,000	13.74	839,946,000	17.43
Wilmar International	0	0	37,500,000[6]	0.78
Parties holding Shares together with Fortune Oil				
Mr. Chiu Tat Jung, Daniel [2]	627,446,000	13.74	839,946,000	17.43
First Level Holdings Limited [1]	627,446,000	13.74	839,946,000	17.43
Fortune Oil PLC [1 and 2]	627,446,000	13.74	839,946,000	17.43
Fortune Max Holdings Limited [1, 2 and 3]	627,446,000	13.74	627,446,000	13.02
Joint Coast Alliance Market Development Limited [1]	627,446,000	13.74	627,446,000	13.02
China Gas Group Limited [1 and 3]	627,446,000	13.74	627,446,000	13.02
Mr. Liu [3]	836,550,000	18.31	836,550,000	17.36
Other Directors				
Mr. Leung Wing Cheong, Eric	2,622,000	0.06	2,622,000	0.05
Ms. Wong Sin Yue, Cynthia	1,000,000	0.02	1,000,000	0.02
Mr. Pang Yingxue	400,000	0.01	400,000	0.01
Other Substantial Shareholders				
Beijing Enterprises Group Company Limited [4]	889,902,132	19.48	889,902,132	18.47
Beijing Enterprises Group (BVI) Company Limited [4]	889,902,132	19.48	889,902,132	18.47
SK C&C Co., Ltd. [5]	687,603,000	15.05	687,603,000	14.27
SK Holdings Co., Ltd. [5]	687,603,000	15.05	687,603,000	14.27
SK E&S Co., Ltd. [5]	687,603,000	15.05	687,603,000	14.27
Public Shareholders	2,149,767,966	47.06	2,187,267,966	45.40
Total	4,567,845,098	100	4,817,845,098	100

Notes:

1. Joint Coast Alliance Market Development Limited ("**Joint Coast**") was deemed to be interested in the 419,478,000 Shares beneficially owned by China Gas Group Limited ("**CGGL**") by virtue of an agreement under section 317(1)(a) of the SFO. CGGL is owned as to 50% by Joint Coast which, in turn, is wholly owned by Mr. Liu.

   According to the Part XV of the SFO ("**Part XV Forms**") and relevant forms under Rule 22 of the Code on Takeovers and Mergers ("**Rule 22 forms**") filed by CGGL, CGGL was deemed to be interested in a further 207,968,000 Shares held by Fortune Max Holdings Limited ("**Fortune Max**"), by virtue of an agreement between Fortune Max, CGGL and Mr. Liu to exercise certain rights in respect of their Shares in conjunction with one another. Given their respective relationship with CGGL, each of Mr. Liu and Joint Coast was also deemed to be interested in a total of 627,446,000 Shares and CGGL was deemed to be interested in a total of 627,446,000 Shares.

2. According to Part XV forms filed by Mr. Chiu Tat Jung Daniel ("**Mr. Chiu**"), First Level Holdings Limited ("**First Level**"), Fortune Oil PLC and Fortune Max, as at 7 June 2012 and the relevant Rule 22 Forms, as at 30 September 2012. Mr. Chiu was deemed to be interested in an aggregate of 627,446,000 Shares, comprising:

   (a) 419,478,000 Shares beneficially owned by CGGL. CGGL is owned as to 50% by Fortune Oil PRC Holdings Limited. Fortune Oil PRC Holdings Limited is wholly owned by Fortune Oil PLC. Fortune Oil PLC is owned as to 36.51% by First Level which, in turn, is owned as to 99% by Mr. Chiu; and

   (b) 207,968,000 Shares beneficially owned by Fortune Max. Fortune Max is wholly owned by Mr. Chiu. In addition, the Part XV form filed by Fortune Max notes that Fortune Max was interested in the 419,478,000 Shares beneficially owned by CGGL by virtue of an agreement under section 317(1)(a) of the SFO.

3. According to the relevant forms filed under Part XV Forms and the Rule 22 forms filed jointly by Mr. Liu, CGGL and Fortune Max, as at 30 September 2012, Mr. Liu was deemed to be interested in an aggregate of 836,550,000 Shares, comprising:

   (a) 209,104,000 shares held directly by Mr. Liu;

   (b) 419,478,000 Shares held by CGGL which is owned as to 50% by Joint Coast Alliance Market Development Limited which, in turn, is wholly owned by Mr. Liu; and

   (c) 207,968,000 Shares held by Fortune Max.

4. According to Part XV forms filed by Beijing Enterprises Group Company Limited and Beijing Enterprises Group (BVI) Company Limited, as at 11 July 2012, Beijing Enterprises Group Company Limited was deemed to be interested in 889,902,132 Shares beneficially owned by Beijing Enterprises Group (BVI) Company Limited.

5. According to Part XV forms filed by SK C&C Co., Ltd ("**SK C&C**"), SK Holdings Co., Ltd ("**SK Holdings**") and SK E&S Co., Ltd ("**SK E&S**"), as at 21 November 2012, each of Mr. Chey Taewon ("**Mr. Chey**"), SK C&C, SK Holdings and SK E&S is deemed to be interested in a total of 687,603,000 Shares, comprising:

   (a) 614,595,000 Shares beneficially owned by SK E&S. SK E&S is owned as to 94.13% by SK Holdings. SK Holdings is owned as to 36.92% by SK C&C, which, in turn, is owned as to 40.00% by Mr. Chey; and

   (b) 73,008,000 Shares held by Pusan City Gas Co., Ltd ("**Pusan City Gas**"). Pusan City Gas is owned as to 43.99% by SK E&S.

   To the best of the knowledge of SK E&S, SK Gas Co., Ltd ("**SK Gas**") separately held 98,459,000 Shares. SK Gas is a subsidiary of SK Chemicals Ltd ("**SK Chemicals**"), a company listed on the Korean Stock Exchange. As of 31 December 2011, SK Chemicals' largest single Shareholder was Mr. Chey Changwon. Apart from Mr. Chey's 3.1% interest in the preferred non-voting shares of SK Chemicals (0.4% of the total issued share capital), neither Mr. Chey nor any companies controlled by him have any interest in SK Chemicals or SK Gas nor is there any agreement or understanding, formal or informal, between (i) Mr. Chey or SK E&S and (ii) SK Chemicals, SK Gas or Mr. Chey Changwon to cooperate to obtain or consolidate control of the Shares.

6. Wilmar International will be considered as part of the public shareholders for the purpose of Rule 8.08 of the Listing Rules after issue of the Consideration Share.

7. The percentages shown are rounded to nearest 2 decimal places. Numbers may not added up to 100% due to rounding.

Conditions to the Completion of the Share Purchase Agreement

Completion of the Acquisition is conditional upon:

(a) the passing by the Independent Shareholders of a resolution to approve the Acquisition at a general meeting of the Company in accordance with the Listing Rules;

(b) the passing by the shareholders of the Guarantor of a resolution to approve the Acquisition at a general meeting of the Guarantor in accordance with the UK Listing Rules;

(c) either (i) confirmation being received from the Executive Director of the Corporate Finance Division or the Takeovers and Mergers Panel of the Securities and Futures Commission that no obligation for, or (ii) within 30 days upon consultation by the Sellers, no requirement or indication by Executive Director of the Corporate Finance Division or the Takeovers and Mergers Panel of the Securities and Futures Commission that, a general offer in respect of the Shares (other than those held by or to be issued to the Sellers pursuant to the Share Purchase Agreement and any party deemed to be acting in concert with it) shall arise to be made by the Sellers or any party deemed to be acting in concert with it pursuant to Rule 26 of the Takeovers Code as a result of the Completion;

(d) all filings having been made by the Purchaser (with assistance provided by the Sellers) to the AMB in relation to the Acquisition to comply with the requirements of the AML, such filings have been accepted by the AMB for examination and (i) the AMB having cleared the Acquisition after a preliminary examination; (ii) the Acquisition having been deemed to be cleared after the applicable examination period has expired without notice from the AMB; or (iii) if the AMB requires a further examination, having fulfilled a new round of procedures as set out in (i) and (ii) above; and

(e) necessary consent or waivers from the facility agent (on behalf of lenders) in respect of a US$180,000,000 facility agreement with Fortune Oil as borrower, entered into on 1 April 2011 to refinance its existing indebtedness and for general corporate purposes.

(Note: As at the Latest Practicable Date, condition (e) above has been satisfied.)

Fortune Oil may waive Condition (e) above at its sole discretion by notice in writing to the Purchaser. In the event that any of the Conditions shall not have been fulfilled or waived on or before 30 June 2013 (or such later date as the Purchaser and the Sellers may agree in writing), then neither the Purchaser nor the Sellers shall be bound to proceed with the purchase and sale of the Sale Shares and the Share Purchase Agreement shall terminate immediately upon written notice by either the Purchaser or the Sellers to the other parties, save in respect of claims arising out of any breach prior to the termination of the Share Purchase Agreement.

Completion

Completion will take place on the 10th Business Day after all of the Conditions have been fulfilled or waived (or such later date as the Sellers and the Purchaser may agree in writing).

Profit guarantee

Fortune Oil shall compensate the Purchaser in the following circumstances:

If the actual Net Profit for financial year 2013 is less than HK$200,000,000, Fortune Oil shall compensate in cash the Purchaser for the shortfall between HK$200,000,000 and the actual Net Profit. If Fortune Gas makes a loss and the Net Profit is a negative figure, Fortune Oil shall, on top of compensating the HK$200,000,000 shortfall, make good for such losses suffered by the Purchaser by indemnifying the Purchaser on a dollar for dollar basis for the total amount of the negative figure.

If the actual Net Profit for financial year 2014 is less than HK$400,000,000, Fortune Oil shall compensate in cash the Purchaser for the shortfall between HK$400,000,000 and the actual Net Profit. If Fortune Gas makes a loss and the Net Profit is a negative figure, Fortune Oil shall, on top of compensating the HK$400,000,000 shortfall, make good for such losses suffered by the Purchaser by indemnifying the Purchaser on a dollar for dollar basis for the total amount of the negative figure.

Fortune Oil's obligation to pay compensation in respect of each year is conditional upon:

(a) Fortune Gas operating in accordance with the business forecasts provided by the Sellers subject to reasonable modifications by the Purchaser with the consent of Fortune Oil, such consent not to be unreasonably withheld or delayed;

(b) there not having been any natural disasters, civil unrest or commotions or change of legal or regulatory requirements which will cause a material adverse change; and

(c) there being no change to the general manager or financial controller of Fortune Gas nor changes in a material number of general managers of the other Fortune Gas group companies, without the consent of Fortune Oil, such consent not to be unreasonably withheld or delayed.

The payment obligations of Fortune Oil in respect of any financial year shall lapse if the Purchaser fails to deliver the audited financial statements and statement of calculation and amount payable in respect of that year within 180 days after the end of the relevant financial year.

In the event that Fortune Oil is required to compensate the Purchaser based on the profit guarantee above in any given year, the Company will make further announcement(s) in accordance with the Listing Rules and include the details in the Company's next published annual report and accounts. The independent non-executive Directors will provide an opinion in the Company's next published annual report and accounts as to whether Fortune Oil has fulfilled its obligations under the said profit guarantee.

Nomination rights

Upon Completion, the Guarantor shall have the rights from time to time to nominate (a) a person to the Board to be considered as an executive director of the Company and (b) a person to the Board to be considered as a managing director of the Company. Each such nomination shall be made in writing with such true and accurate biographical information as required to be disclosed under the Listing Rules for newly appointed directors. However, the Board shall have the discretion to decide whether such nomination by the Guarantor shall be put forward to the nomination committee of the Company and to the Shareholders for approval. If the Board decides not to put forward the nomination, no person nominated by the Guarantor will be appointed as executor director or managing director of the Company. Thereafter, the Guarantor may from time to time nominate other persons to be considered as executive director or managing director of the Company.

FINANCIAL INFORMATION OF FORTUNE GAS

A summary of the unaudited consolidated financial information of Fortune Gas prepared in accordance with the Hong Kong Financial Reporting Standards, as provided by the Sellers, is as follows:

	For the year ended 31 December 2010	**For the year ended 31 December 2011**	**For the half-year ended 30 June 2012**
	US$'000	*US$'000*	*US$'000*
Net profit before taxation and minority interest	21,294	28,895	9,427
Net profit after taxation but before minority interests	15,702	23,647	6,967
Minority interests	(4,145)	(3,305)	(1,348)
Net profit after taxation after minority interests	11,557	20,342	5,619

According to the unaudited financial statements of Fortune Gas, the net assets value of the Fortune Gas, on a consolidated basis, as at 30 June 2012, was approximately US$199,297,000 including minority interests and US$174,868,000 excluding minority interest, respectively.

The above profit figures and net assets value of Fortune Gas are after exclusion of the figures of its subsidiaries, to be disposed of by Fortune Gas before Completion, which has an insignificant impact on the above figures.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition pursuant to the Share Purchase Agreement exceed 5% but all the percentage ratios are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements thereunder.

As at the Latest Practicable Date, each of Mr. Liu (the Managing Director of the Company) and Fortune Oil owns 50% interest in the total issued share capital of CGGL. CGGL owns 419,478,000 Shares, representing approximately 9.18% of the total issued shares of the Company. In addition, Mr. Liu had been involved in the discussions with Fortune Oil in respect of the Acquisition. As such, Fortune Oil is considered as a connected person of the Company with respect to the Acquisition pursuant to Rule 14A.11(4)(a) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the independent shareholders' approval and the reporting and announcement requirements thereunder.

REASONS FOR AND BENEFITS OF THE ACQUISITION

1. The complementary business portfolio facilitates synergy integration with the Group

The business of Fortune Gas which involves three areas, namely city gas, CBM development and LNG vessel and vehicle refuelling, spread across all stages of the industry chain, i.e., upstream, mainstream and downstream. For example, not only does its business consist of development and production of CBM and wholesale of LNG, it also covers the operation of city piped gas projects and LNG refuelling stations. With such even spread, Fortune Gas has a higher level of risk resistance. Besides, its business in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning is able to complement the existing portfolio and projects of the Group. The factors above will certainly enable the Group to reap the synergy benefits through integration of Fortune Gas with the other Group's entities.

2. The city gas business segment will maintain strong profitability and momentum for growth

The city gas business segment of Fortune Gas includes city piped gas operation, long-distance pipeline transmission, CNG mother refilling stations and industrial zone projects. Each project is in clear operational model, is reasonably distributed with organised and proper management. The city gas market has demonstrated an attractive future growth potential, especially in the industrial gas market which has a sound prospect for growth. In addition, with the guarantee of gas supply in the upstream, the gas refilling business for vehicles attached to the city gas business will also enjoy a stronger growth potential. We foresee that in the future, the city gas business segment will maintain sound profitability and greater momentum for growth.

3. The promising prospects of CBM business and LNG vessel and vehicle refuelling business

The PRC central government attaches great importance to the future development of the CBM industry. Given its abundant reserve of CBM, the Liulin CBM project located in the east edge of the Ordos basin is recognised as one of the most favourable area for CBM exploitation after Jincheng, Shanxi. The resource prospecting and evaluation work for the reserves of the area has been completed and the project is undergoing a transition phase towards commercial operations.

With strategic planning, the LNG vessel and vehicle refuelling business of Fortune Gas has been enjoying a sophisticated network for project development and management and abundant customer resources. It takes the industrial lead in vessel conversion and renovation technology based on a number of vessel engine patents and intellectual property rights. As for the LNG vehicle refuelling business, the Liaoning New Energy project of Fortune Gas is at the stage of preliminary strategic planning but is expected to enjoy a promising market prospect.

4. The profit guarantee arrangement reduces the transaction risk

The Purchaser and Fortune Oil have agreed upon the profit guarantee for the next two financial years under the Share Purchase Agreement. If Fortune Gas records net profit less than HK$200,000,000 for financial year 2013 or less than HK$400,000,000 for financial year 2014, Fortune Oil shall compensate the Purchaser. The profit guarantee arrangement not only ensures normal operation of each business segment of Fortune Gas in the next two financial years, but also lays a foundation for their smooth integration into the Group's business, and at the same time reduces the potential profitability risk of the Acquisition.

The Directors believe that the Acquisition is in line with the business strategies and the expansion plan of the Group. The target group's city gas business has sound profitability and great momentum for growth, and both its CBM business and LNG vessel and vehicle refuelling business enjoy promising prospects, and that the Acquisition will enable the Group to further extend its coverage and footprint in the PRC, allowing effective business and management integration with the Group's existing entities. As such, the Directors consider that based on the current performance and potential for growth of the target Group's business, the Acquisition will enable the Group broadening its revenue base as well as to reap the synergy benefits, enhancing its profitability.

INFORMATION OF THE GROUP, THE PURCHASER, THE SELLERS, THE GUARANTOR AND FORTUNE GAS

The Group

The Group is principally engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of gas in the PRC.

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company, its principal activity is investment holding.

Fortune Oil (a Seller)

Fortune Oil is a wholly owned subsidiary of Fortune Oil PLC and is an investment holding company which holds 85% of the Fortune Gas.

Wilmar International (a Seller)

Wilmar International is Asia's leading agribusiness group, and is ranked amongst the largest listed companies by market capitalisation on the Singapore Stock Exchange. Its business activities include oil palm cultivation, oilseeds crushing, edible oils refining, sugar milling and refining, speciality fats, oleochemicals, biodiesel and fertilisers manufacturing and grains processing.

Fortune Oil PLC (the Guarantor)

Fortune Oil PLC is a leading independent energy company engaged in the investment and operations of oil and natural gas supply projects in China. With almost 20 years of operating history in China, Fortune Oil PLC has acquired a unique portfolio of high quality oil and natural gas projects across the country and has formed a strong partnership with domestic and international market leaders. Fortune Oil PLC started an expansion outside China securing resource projects in recent years. Fortune Oil PLC is listed on the Main Market of the London Stock Exchange with its operational headquarters in Hong Kong.

Fortune Gas (the target company)

Fortune Gas is an investment holding company incorporated in Hong Kong, owned as to 85% by Fortune Oil PLC and 15% by Wilmar International, respectively.

Investments made by Fortune Gas in Mainland China covers three business segments, namely city gas, CBM and LNG vessel and vehicle refuelling, comprising a total of 28 projects (city gas: 23; CBM: 1; LNG vessel and vehicle refuelling: 4).

The projects undertaken by Fortune Gas are mainly situated in north and central China, of which, the 22 city gas projects are mainly located in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning; the 2 CBM projects are located in Liulin of Shanxi; and the 4 LNG vessel and vehicle refuelling projects are located in Chongqing, Hubei and Liaoning.

1. City Gas

Fortune Gas, through its subsidiaries, operates city gas business in Beijing, Shuozhou, Tianjin, Qufu, Sishui, Jining, Shijiazhuang, Luquan, Liulin, Xinyang, Shenyang and Quyang.

As at 31 July 2012, the project companies under Fortune Gas have accumulated a total of 199,870 installed users, including 198,910 residential users, 923 commercial users and 37 industrial users. The number of connected users is 133,607 in total, including 132,783 residential users, 792 commercial users and 32 industrial users. The sales volume of natural gas realized by Fortune Gas amounted to 290 million cubic metres, 417 million cubic metres and 448 million cubic metres respectively during the three years from 2009 to 2011, while the sales volume for the first seven months of 2012 was 257 million cubic metres.

Fortune Gas has established a sound management and operating system for its city gas business. With full licences for city gas operations, as well as reasonable management and human resources allocation, the project companies have attained strong economies of scale. Most of the project companies have commenced operations and are entering into a positive stage of development. In addition to the city gas business, the gas refilling stations, long-distance pipeline transmission and distribution business, industrial park projects, as well as CNG mother filling station business have been developing smoothly and are backed by relatively secured gas supply. Among the 12 operating projects, 10 have been connected to gas pipeline, and the remaining 2 will come on stream soon. Among the 12 piped city gas projects being operated by Fortune Gas, 10 are directly operated by Fortune Gas, which provide a solid basis for the Group's consolidation and management upon completion of the Acquisition. The city gas projects of Fortune Gas are located in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning, which can effectively complement and build up synergy with the Group's regional city gas business while filling up the gap caused by the lack of presence of the Group in city gas operations in Shanxi, a major energy producing province in China.

Regarding the development of residential gas market, the penetration rate of existing projects of Fortune Gas is only about 30%, which is lower than the Group's overall penetration rate. According to the Group's experience in market development, we believe that there is great potential for Fortune Gas to explore the residential market in the future, while the industrial user market and the gas refilling market for vehicles will also be the focus of development. During the process of city gas business development, Fortune Gas has been emphasising on the development and layout in industrial cities and urban industrial parks. Many city gas projects, such as the Xinyang project, Shuozhou project, Quyang project, Tianjin Tianhui and Liaoning Zhengrun project, have significant potential in meeting the increasing industrial gas demand, particularly the encouraging demand from ceramics, aluminum and magnesium fabrication and building materials industries.

The revenue of Fortune Gas generated from the city gas business was HK$857,477,000 in 2009, HK$1,064,224,000 in 2010 and HK$463,307,000 in 2011 respectively, whereas the net profit from the city gas business was HK$82,345,000 in 2009, HK$120,674,000 in 2010 and HK$118,777,000 in 2011 respectively.

On 27 June 2012, the Ministry of Housing and Urban-Rural Development of the PRC issued the "Twelfth Five-Year Plan" of National City Gas Development, which set forth a comprehensive development plan for the natural gas industry in the next five years. It is expected that the total supply of natural gas in China will reach 269.5 billion cubic metres by 2015, of which the total supply in rural areas will amount to 178.2 billion cubic metres, representing an increase of 113% over the end of the Eleventh Five-Year Plan period. Therefore, the city gas industry will sustain rapid growth in the coming five years, and we foresee that the city gas business segment of Fortune Gas will maintain sound profitability and growth momentum.

2. LNG Vessel and Vehicle Refuelling

2.1 LNG project for vessels

On the LNG refilling business for vessels in China, Fortune Gas has two investment platforms, namely vessel conversion technology and LNG refilling stations for vessels, on which basis three business development networks including vessel conversion, construction of gas refilling stations and energy contract management have been established. As for the LNG vessel conversion business, Fortune Gas owns various LNG vessel engine patent and intellectual property rights through its subsidiary Beijing Fortune Honghua Power Technology Ltd., and has become a leading player in vessel conversion technology. The gas refilling business for vessels is focused around Chongqing, Hubei, Jiangsu, Anhui and other provinces along the Yangtze waterway, inland rivers and lake area. Currently, the largest clients in the LNG business for vessels include large state-owned shipping enterprises which have a leading position on the main stem of the Yangtze River. These enterprises have more than 4,000 vessels and occupy 40% of the total shipping capacity on the main stem of the Yangtze River. Such enterprises are planning to cooperate with Fortune Gas to convert 100 LNG-diesel hybrid vessels. In addition, Fortune Gas is also planning to enter into strategic cooperative framework agreements with a number of large LNG producers in the PRC so as to jointly promote the development of LNG vessel and vehicle refueling.

The LNG refilling station business for vessels on the Yangtze River has a promising market outlook. There are over 300,000 vessels travelling on the Yangtze River which consume fuel oil of over 13 million tonnes per year, implying a potential consumption of 10 million tonnes of LNG annually. Fortune Gas has obtained coastal resources along the Yangtze River for station construction in Banan District, Chongqing city. Currently, the project is under preliminary construction. In addition, the “ChangXun 3” converted by Fortune Gas is the first LNG-diesel hybrid vessel approved by China Classification Society and awarded with a navigation permit by the National Maritime Bureau, laying a sound foundation for the subsequent development of the vessel conversion business and the future construction of LNG refilling stations for vessels. In this regard, Fortune Gas has become an industry leader in the vessel refueling business in various aspects such as vessel conversion technology, coastline resources acquisition and contractual partnership.

Although the business for LNG refuelling business for vessels has yet to commence operation, the planning process has been progressing with approvals obtained for some of the projects. For instance, the project in Banan District of Chongqing has obtained major governmental approvals. The projects in Zigui and Erzhou Hubei Province have also obtained significant progress either by obtaining the preliminary letter of approval from or entering co-operative framework agreement with the local governments.

2.2 LNG project for vehicles – Liaoning New Energy

The Fortune LNG project for vehicles refers to the development of LNG refilling stations for vehicles in Liaoning province, which is undertaken by Liaoning New Energy Transportation Company (“**Liaoning Transportation**”) and Liaoning New Energy Company Limited (“**Liaoning New Energy**”). Liaoning Transportation is a wholly-owned subsidiary of Liaoning New Energy, the de facto operator of the transportation business of Liaoning New Energy. Currently, Liaoning Transportation owns 2 sets of 33 cubic-metre LNG refilling cars and 1 LNG tanker car which commenced LNG transportation operation in April 2012. It is a model project for LNG promotion targeting passenger vehicles operating in Liaoning province. Despite being at the preliminary stage of planning for its operation. Liaoning New Energy’s business plan includes to achieve the goal of “1-9-32”, i.e., establishing 1 centre, 9 routes and 32 LNG refilling stations. The centre, routes and the LNG refilling stations will all be based in Liaoning, as part of the the strategic planning of Liaoning New Energy in the LNG market of Liaoning. The LNG refilling stations in particular, will spread across various cities in the province, including Wanghua, Tieling, Anshan, Chaoyang, Fushun, Liaoyang etc.

Fortune Gas has secured customers through establishing joint ventures with passenger transportation enterprises to boost the project’s progress. Meanwhile, the business model and management structure adopted by Fortune Gas are in line with the development strategy of China Gas Clean Energy Company Limited, a subsidiary of the Company.

3. CBM Business

Fortune Gas conducts CBM business through Fortune Liulin Gas Co., Ltd. (“**Fortune Liulin**”) and China United Shanxi CBM Co., Ltd. (“**China United Shanxi**”). Fortune Liulin is mainly responsible for the exploration and development of CBM, while China United Shanxi is primarily responsible for the processing and sale of CBM.

3.1 Fortune Liulin

Fortune Liulin is a company incorporated in Hong Kong and jointly established by Fortune Green Energy Ltd. ("**Fortune Green Energy**", a wholly-owned subsidiary of Fortune Gas) and an Australian listed company, with each party holding 50% equity interests. The company's management is headquartered in Beijing. As the foreign operator on behalf of a state-owned CBM investment company, Fortune Liulin jointly conducts CBM exploration and development with it in the Shanxi Liulin block. As agreed in the product sharing contract, this state-owned CBM investment company as the exploration licence owner for the Liulin CBM joint exploration project and Fortune Liulin as the foreign operator shall jointly conduct the exploration and development in the Liulin block. This state-owned CBM investment company is in charge of commercial sales of CBM. The return on investment is 50%:50% shared by the parties pursuant to the product sharing contract, suggesting that Fortune Green Energy is 25% interested in the Liulin block.

The National Development and Reform Commission ("**NDRC**") officially released the "Twelfth Five-Year Plan" Regarding the Development and Utilisation of CBM (Coalbed Gas) on 26 November 2011, pursuant to which efforts would be made to intensify the development and utilisation of CBM. The plan ensures the future development of the CBM industry in terms of policy support. The Liulin CBM exploration and development project has been officially included in the national "Twelfth Five-Year" development plan. In August 2010, China United CBM and China United Shanxi entered into the CBM Purchase and Sales Contract for Liulin Project (North), which is a take-or-pay contract with a term from 1 June 2010 to 31 December 2026.

The Liulin CBM block, comprising two blocks located in the north and south respectively, covers a total area of 183.74 square kilometres. On 5 May 2010, based on the appraisal by the Oil and Gas Professional Office of its Mineral Resources Evaluation Center, the Ministry of Land and Resources of the PRC issued the Evaluation Record Proof of Mineral Resources Reserve (Land Reserve Document No. 82 [2010]) on the "Proven Reserve Report on No. 3+4 and No. 5 New CBM Units (Permian System, Shanxi Group) in the north of Liulin CBM Field", identifying a CBM recoverable reserve of 2.985 billion cubic metres in the north region of Liulin. Moreover, the "Proven Reserve Report on No. 8+9+10 (Permian System, Shanxi Group) and No. 3+4 and No. 5 in the South Block and the New CBM Units of Liulin CBM Field" has been completed and submitted to the Oil and Gas Professional Office of the Mineral Resources Evaluation Center of the Ministry of Land and Resources for review. The report suggests that the recoverable reserve of the new CBM amounts to 14.356 billion cubic metres.

The Liulin CBM project located in the east edge of Ordos basin is recognised as one of the most favourable area for CBM exploitation in addition to Jincheng, Shanxi. Stratum and resource conditions within this area have been clearly mastered; meanwhile, the exploitation method suitable for the geological conditions of this area has been identified based on the CBM prospecting undertaken by many companies coupled with the coal geological exploration in 20 years. Also, the trial production effect meets the design requirements. The project of Fortune Liulin is at the planning stage, and the state-owned CBM investment company as mentioned above has prepared the 'Shanxi Liulin CBM Exploration Programme', which has been submitted for approval. Once approved, the project will proceed from the resources prospecting and evaluation into the extraction stage.

The Acquisition, which enables the Group to obtain gas sources, is beneficial for the Group to integrate upstream and downstream industry chains in the region and secure sufficient gas sources to continue its move in expanding refilling stations for vehicles and city gas distribution businesses, which is of positive significance for the Group in terms of regional layout and long-term development.

3.2 China United Shanxi

The CBM refilling station project of Fortune Gas is operated by China United Shanxi, an associate of Fortune Gas established in October 1997 in Taiyuan city with registered capital of RMB41,750,000 (equivalent to approximately HK$51,770,000). It operates two CNG daughter refilling stations in Changzhi and Jincheng and one CNG mother refilling station in Liulin, all located in Shanxi. China United Shanxi was restructured from a wholly-owned subsidiary of a state-owned CBM investment company through a capital increase and introduction of overseas shareholders in June 2007, including six domestic and overseas energy and gas enterprises. It is a CBM concession operator qualified for CBM and natural gas operations in Shanxi province under the provincial gas business licence granted by Shanxi Provincial Development and Reform Commission and its operating qualifications for four types of gas including CBM, natural gas, coal gas and coal gasification gas.

China United Shanxi is qualified for businesses including the processing and utilisation of CBM, pipeline construction, city gas development and sale of CBM products respectively in accordance with the CBM Business Permit in Shanxi Province (Jin CBM No. 0001) issued in 2003 and the Approval on Continuation of CBM Related Businesses (Jin CBM Letter [2008] No. 3) issued in 2008 by the Shanxi Provincial Development and Reform Commission. The business of China United Shanxi is expected to commence in 2013.

PROJECT RISKS AND COUNTERMEASURES

City Gas Business

The city gas segment of Fortune Gas has attained strong economies of scale, as most of the projects have commenced operations and are entering into a positive stage of development. The Group is of opinion that the risks exposed by the city gas segment of Fortune Gas include that the gas supply in the upstream might be insufficient to meet the demand from industrial users of the city gas projects; and that it might not attain positive pricing on residential users in a timely manner due to the fluctuations in prices of upstream gas supply, etc.. As such, the Group will further strengthen research and evaluation on the city gas business segment of Fortune Gas particularly focusing on industrial gas market demand, while capitalizing on the Group's resources and management expertise to coordinate supply and demand between the upstream and the downstream, coupled with scientific and reasonable forecast and planning on future market development and supply scale of its city gas business, in order to minimize the risks in imbalanced supply and demand. As to the price adjustment and positive pricing, the Group will also draw upon its experience in business development to optimize the positive pricing mechanism of the city gas segment of Fortune Gas to mitigate its operational risks.

CBM Business

The Liulin CBM project owns an abundant proven reserve according to the exploration findings. However, its commercial development is subject to various conditions, such as environmental and technical conditions, uncertainties in meeting the design capacity following the gas wells commence operation, and the risks such as hiking development costs in the later stage. As a professional city gas operator, the Group has been prudent on the CBM project of Fortune Gas and its business prospect. Nevertheless, taking into consideration the factors that Fortune Gas holds limited interests in the CBM project together with well-established partners in the high-end sectors, that the project owns a complete downstream distribution system and market channels, and that Chinese government has been vigorously promoting development and utilization of CBM recently, the Group is of opinion that the risks associated with the CBM business of Fortune Gas are within an acceptable range.

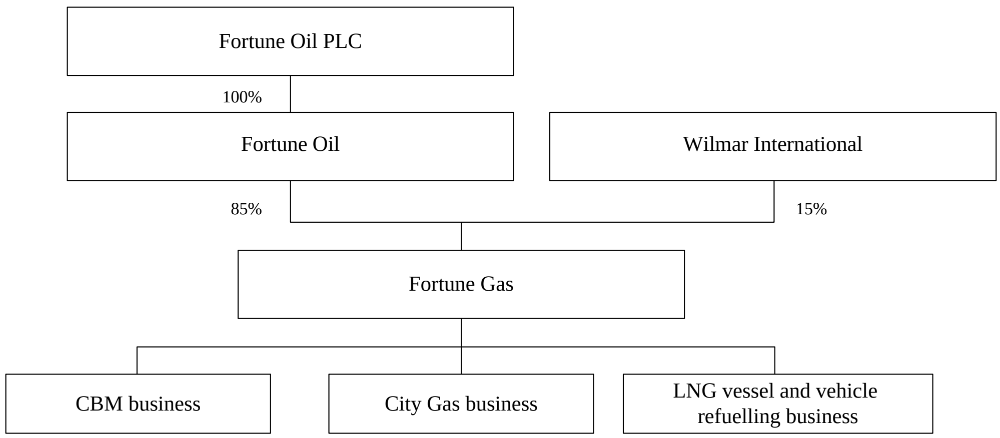
The LNG Vessel and Vehicle Refuelling Business

With good strategic planning, the LNG vessel and vehicle refuelling business of Fortune Gas has been enjoying abundant customer base and a great number of technological patents. However, amid the fierce competition in the domestic market of the LNG vessel and vehicle refuelling sector, there is uncertainty in the number of newly-built refilling stations and development progress in the future given the onerous procedures, scarce land reserve and coastal resources for construction of stations. In addition, there is also uncertainty for the LNG vessel and vehicle refuelling business of Fortune Gas in term of the sufficiency in the supply of gas resources. The Group attaches great importance to the future development of the LNG vessel and vehicle refuelling business and has established China Gas Clean Energy Company Limited in a bid to boost the development of the LNG vessel and vehicle refuelling business through the consolidation of advantageous resources. We are of the opinion that there will be complementarity and synergy benefits between the LNG vessel and vehicle refuelling business of Fortune Gas and the businesses of the Group in aspects such as market layout, gas supply security and technology sharing. Therefore, the business integration of Fortune Gas with the Group will consequentially minimize the market and operational risks arise in the process of business development, thus paving the way for the further sustainable development of the Group.

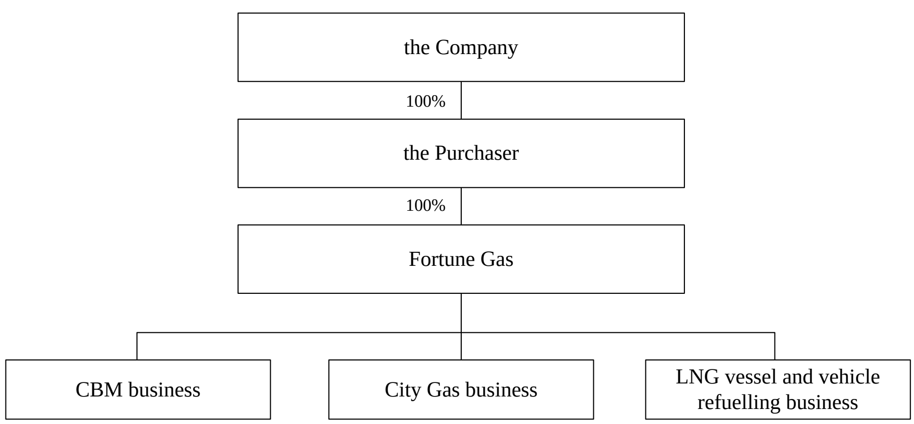
In summary, the Directors believe that the target group's city gas business has sound profitability and growth momentum, and its CBM business and LNG vessel and vehicle refuelling business will enjoy promising prospects, and that the Acquisition will enable the Group to further extend its coverage and footprint in the PRC, allowing effective business and management integration with the Group's existing gas business. As such, the Directors consider that the Acquisition will create synergy value with the Group's existing gas operation, thereby broadening its revenue base as well as sustaining and enhancing its profitability.

SHAREHOLDING STRUCTURE OF FORTUNE GAS BEFORE AND AFTER THE ACQUISITION

Before the Acquisition



After the Acquisition



GENERAL INFORMATION

Mr. Liu, an executive Director who is interested in the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate, did not attend or vote in the meeting of the Board approving the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular in connection with the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate. Your attention is also drawn to the letter of advice from ING Bank N.V. to the Independent Board Committee and the Independent Shareholders in connection with the

Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate and the principal factors and reasons considered by it in arriving at such advice set out on pages 31 to 49 of this circular.

The Independent Board Committee, having taken into account the advice of ING Bank N.V., considers that the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate are fair, reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions for approving the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate at the SGM.

SPECIAL GENERAL MEETING

A notice of the SGM is set out on pages 77 to 79 of this circular.

A form of proxy for use at the SGM is enclosed herewith. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Fortune Oil, the Guarantor and Mr. Liu have a material interest in the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate. Accordingly, Fortune Oil, the Guarantor, Mr. Liu, their respective associates and other persons that have a material interest in the Acquisition (ie. Mr. Liu who holds 209,104,000, representing 4.58% of the total issued Shares, CGGL which holds 419,478,000, representing 9.18% of the total issued Shares and Fortune Max which holds 207,968,000, representing 4.55% of the total issued Shares) will abstain from voting at the SGM to be convened, among other things, to approve the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate.

GENERAL

If any of the Conditions is not fulfilled or waived pursuant to the Share Purchase Agreement, the Acquisition will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Yours faithfully,
For and on behalf of
China Gas Holdings Limited
WONG Sin Yue, Cynthia
Chairperson of the Board

CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

To the Independent Shareholders

Dear Sir/Madam,

DISCLOSABLE AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE GAS INVESTMENT HOLDINGS LIMITED

POSSIBLE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular issued by the Company to its shareholders dated 22 January 2013 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders on whether the terms of the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interest of the Company and the Shareholders taken as a whole.

ING Bank N.V. has been appointed as independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the (i) letter from the Board; (ii) the letter from ING Bank N.V. (iii) the valuation report from CBRE HK Ltd; (iv) the confirmation of the valuation report by Deloitte Touche Tohmatsu; and (v) the letter from PricewaterhouseCoopers Corporate Finance Limited in relation to the forecast underlying the valuation set out in the Circular. Having considered the principal factors and reasons considered by, the advice or confirmation of ING Bank N.V., CBRE HK Ltd, Deloitte Touche Tohmatsu and PricewaterhouseCoopers Corporate Finance Limited set out in their respective letter of advice, report or confirmation as contained in the Circular, we consider that the Acquisition, transactions contemplated under the Share Purchase Agreement and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition, transactions contemplated under the Share Purchase Agreement and the Specific Mandate at the SGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Mr. ZHAO Yuhua **Dr. MAO Erwan**
Ms. WONG Sin Yue, Cynthia **Mr. HO Yeung** **Ms. CHEN Yanyan**
Independent Non-executive Directors

The following is the text of the letter prepared by ING Bank N.V. setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

ING
36/F One International Finance Centre,
1 Harbour View Street, Central, Hong Kong

22 January 2013

To the Independent Board Committee and Independent Shareholders of China Gas Holdings Limited

Dear Sirs,

DISCLOSABLE AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE GAS INVESTMENT HOLDINGS LIMITED

POSSIBLE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the transactions contemplated under the Share Purchase Agreement and the Specific Mandate (the "**Transactions**"), details of which are set out in the circular dated 22 January 2013 to the Shareholders (the "**Circular**"), of which this letter forms part.

This letter sets out our evaluation of the Transactions and our recommendation in relation thereon to the Independent Board Committee and the Independent Shareholders, and is prepared for inclusion in the Circular. Unless otherwise defined, all terms defined in the Circular shall have the same meanings herein.

On 16 December 2012, China Gas Holdings Limited ("**China Gas**" or the "**Company**", together with its subsidiaries, the "**Group**"), China Natural Gas Investment Limited (the "**Purchaser**", being a wholly-owned subsidiary of the Company), Fortune Oil PRC Holdings Limited ("**Fortune Oil**"), Wilmar International Limited ("**Wilmar International**", together with Fortune Oil, the "**Sellers**") and Fortune Oil PLC (the "**Guarantor**") entered into the Share Purchase Agreement pursuant to which the Purchaser will acquire from the Sellers the entire share capital (the "**Sale Shares**") of Fortune Gas Investment Holdings Limited ("**Fortune Gas**" or the "**Target Company**", together with its subsidiaries, jointly controlled entities and associates, the "**Target Group**") for a total consideration of approximately US$400,000,000 (the "**Consideration**") (equivalent to approximately HK$3,120,000,000). The consideration is payable in the form of (i) US$200,000,000 in cash at Completion and (ii) US$200,000,000 (plus accrued interest) in cash and/or issue of up to 250,000,000 consideration shares ("**Consideration Shares**") under the specific mandate.

As at the Latest Practicable Date, each of Mr. Liu (the Managing Director of China Gas) and Fortune Oil owns 50% interest in the total issued share capital of CGGL. CGGL owns 419,478,000 Shares, representing approximately 9.18% of the total issued shares of the Company. In addition, Mr. Liu had been involved in the discussions with Fortune Oil in respect of the Acquisition. As such, Fortune Oil is considered as a connected person of the Company with respect to the Acquisition pursuant to Rule 14A.11(4)(a) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the Independent Shareholders' approval and the reporting and announcement requirements thereunder.

We were neither a party to the negotiations entered into by the Company in relation to the Transactions, nor were we involved in the deliberations leading up to the decision of the Directors to enter into the Transactions. We do not, by this letter, warrant the merits of the Transactions, other than to form an opinion, for the purpose of the Listing Rules, on whether the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and its Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote.

BASIS OF ADVICE

In formulating our opinion and recommendation with regards to the Transactions, we have reviewed, amongst others, the Circular, the Share Purchase Agreement and the annual and interim reports of the Company. We have considered information, statements, opinions and representations, given in writing and orally, by the management of the Company (the "**Management**"). We have also reviewed research studies, market data and publicly available information as we deemed necessary. We have relied, without assuming any responsibility for independent verification, on the information and the facts about the Transactions and the Company as supplied by the Management, as well as research studies, market data and publicly available information. We have assumed that all statements, information, opinions and representations made to us or contained or referred to in the Circular provided by the Company are true, accurate, and complete in all material respects at the time they were made and continue to be so as at the date hereof and that we have relied on the same.

We have been advised by the Management that all material relevant information has been supplied to us and believe that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We have assumed that all statements of belief, opinion and intention made by the Management as set forth in the Circular were reasonably made after due and careful enquiries and that there are no other facts or representations, the omission of which would make any statement, information, opinion or representation in the Circular, including this letter, misleading in any material respects.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We are not aware of, and have no reason to suspect that, any facts or circumstances, which would render the information provided or the representations made to us untrue, inaccurate or misleading in any material respects, nor do we suspect that any material facts have been omitted or withheld from the information supplied in the Circular. We have not, however, carried out any independent verification of the information provided to us by the Management, or conducted any form of investigation into the commercial viability or the future prospects of the businesses and affairs of the Target Group and the Company. We have further assumed that all material governmental, regulatory, or other consents and approvals necessary for the effectiveness and implementation of the Transactions have been or will be obtained without any delay, limitation, restriction or condition or otherwise which may have any adverse effect on the business of the Company or the contemplated benefits of the Company.

We have not commented on the merits or otherwise of the Transactions other than to form an opinion, solely from a financial point of view, as to the fairness and reasonableness of the Transactions for the purpose of making a recommendation to the Independent Board Committee and the Independent Shareholders. We have not assumed any responsibility for any aspect of the work that any professional advisers have produced regarding the Transactions and we have assumed as true and accurate and not misleading any work produced by such advisers. We have not provided, obtained or reviewed any tax, regulatory, accounting, actuarial or other advice and as such assume no liability or responsibility in connection therewith. Accordingly, in providing our opinion, we have not taken into account the possible implications of any such advice.

In connection with the formulation and delivery of our opinion to the Independent Board Committee and the Independent Shareholders, we have performed a variety of commonly used financial, comparative, and valuation analyses. The formulation of a fairness and reasonableness opinion involves various determinations as to the most appropriate and relevant methods of financial, comparative and valuation analyses, and the application of those methods to the particular circumstances. Furthermore, in arriving at our opinion, we did not attribute any particular weight to any analysis or factor, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, we believe that our analyses must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying our opinion.

Our opinion is necessarily based upon the financial, economic, market, regulatory, legal and other conditions as they exist on, and the facts, information and opinions made available to us as of the date of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Transactions, we have taken into account the following principal factors and reasons:

1. Overview of the Transactions

A. The Transactions

According to the announcement of the Company dated 18 December 2012 in relation to the Transactions, on 16 December 2012, China Gas, the Purchaser, the Sellers and the Guarantor entered into the Share Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire from Fortune Oil and Wilmar International 85% and 15% of the entire issued share capital of Fortune Gas, respectively, free from all encumbrances and together with all rights attaching to them or becoming attached or accruing thereto on or after Completion. The aggregate consideration for the Sale Shares payable to the Sellers shall be US$400,000,000 (equivalent to approximately HK$3,120,000,000).

B. China Gas and the Group

The Group is a gas operator and service provider primarily engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminals, storage and transportation facilities, gas logistics systems, transmission of natural gas and liquefied petroleum gas ("**LPG**") to residential, industrial and commercial users, construction and operation of gasoline and gas refilling stations as well as the development and application of technologies relating to petroleum, natural gas and LPG in China.

As of 28 November 2012, the Group had secured 172 cities piped gas projects (with exclusive concession rights), nine long distance natural gas pipeline projects, 153 compressed natural gas ("**CNG**") refilling stations for vehicles, one natural gas development projects and 50 LPG distribution projects in 21 provinces, autonomous regions and directly-administered cities.

C. Fortune Gas and the Target Group

Business overview

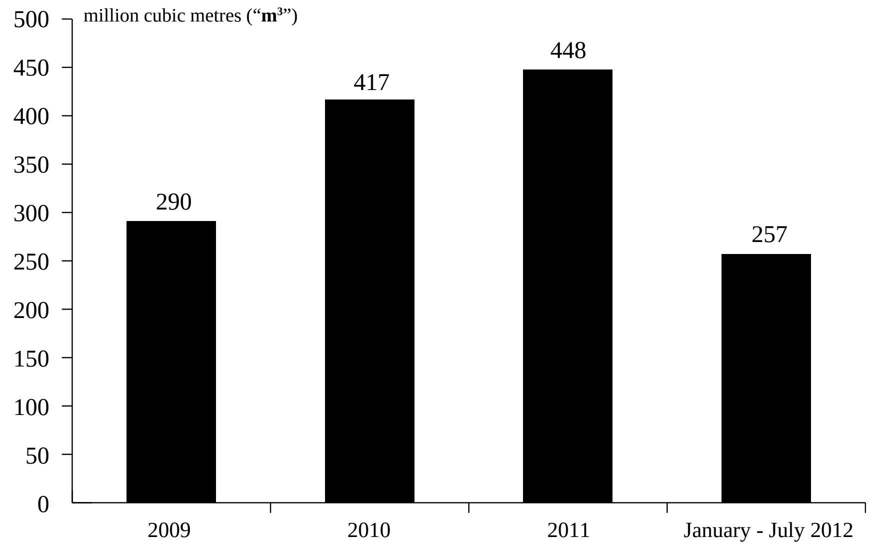
The Target Group is engaged in the businesses of natural gas, wholesale and retail distributions, natural gas refuelling, upstream CBM business, LNG supply to public transit vehicles and development of LNG dual fuel vessel refuelling business along the Yangtze River.

1) City gas distribution business

The Target Group runs 12 city gas projects in Beijing Municipality, Tianjin Municipality, Hebei Province (Shijiazhuang, Luquan and Quyang), Shanxi Province (Liulin and Shuozhou), Shandong Province (Qufu, Jining and Sishui), Henan Province (Xinyang) and Liaoning Province (Shenyang). The Target Group also has a 10% interest in a city gas project in Shijiazhuang, Hebei Province.

Set out below is the Target Group's total gas sales volume in 2009, 2010, 2011 and for the first seven months of 2012:

Chart 1: Total gas sales volume in 2009, 2010, 2011 and for the first seven months of 2012



Source: China Gas

As of 31 July 2012, the Target Group had accumulated installed users of 199,870, of which 198,910 were residential users, 923 were commercial users and 37 were industrial users. As of 31 July 2012, the Target Group had accumulated connected users of 133,607, of which 132,783 were residential users, 792 were commercial users and 32 were industrial users.

2) The CBM business

The Target Group's exploration and development of CBM is conducted through Fortune Liulin Gas Company Limited ("**Fortune Liulin**"), which is incorporated in Hong Kong and jointly established by Fortune Green Energy Limited, a wholly-owned subsidiary of Fortune Gas, and an Australian listed company with each party holding 50% equity interests.

Fortune Liulin and a state-owned CBM investment company have entered into a product sharing contract (the "**PSC**") in relation to the CBM project in Liulin (the "**CBM Project**"). Pursuant to the PSC, Fortune Liulin is entitled to 50% of total output of the CBM Project. The Target Group thus has an effective interest of 25% in the CBM Project.

The Liulin block covers 184 square kilometers ("**km^2**") and is located in the Shanxi Province.

As stated in the Third Quarter 2012 Interim Management Statement of Fortune Oil PLC, the CBM Project remains on track for first commercial gas sales in 2013. Construction of the gas gathering system, nodal compression station and the main export product trunk-line at the CBM Liulin block has commenced with construction scheduled for completion by mid-2013.

3) LNG vessel and vehicle refuelling business

The Target Group's LNG vessel refuelling business strategy is to focus on establishing LNG refuelling stations and to retrofit vessels to promote the use of LNG as fuel for the ships. The Target Group targets on establishing LNG refuelling stations for vessels in Chongqing Municipality, Hubei, Jiangsu, Anhui and other provinces in the PRC along the Yangtze waterway, inland rivers and lake area.

The Target Group's LNG vehicle refuelling business is conducted through Liaoning New Transportation Company Limited (遼寧新干線運輸有限公司) and its subsidiary Liaoning New Energy Company Limited (遼寧新干線能源有限公司), which is 60% indirectly held by Fortune Gas. The Target Group plans to build LNG vehicle refuelling stations in Liaoning Province.

Shareholding structure

As at the Latest Practicable Date, 85% of Fortune Gas' entire issued share capital is held by Fortune Oil, a wholly owned subsidiary of Fortune Oil PLC which is listed on the Main Market of the London Stock Exchange with operational headquarters in Hong Kong. The remaining 15% of Fortune Gas' entire issued share capital is held by Wilmar International, which is listed on the Singapore Stock Exchange.

The following are simplified shareholding structure charts of Fortune Gas and its subsidiaries before and after the Transactions:

Chart 2: Simplified shareholding structure of the Target Group before the Transactions

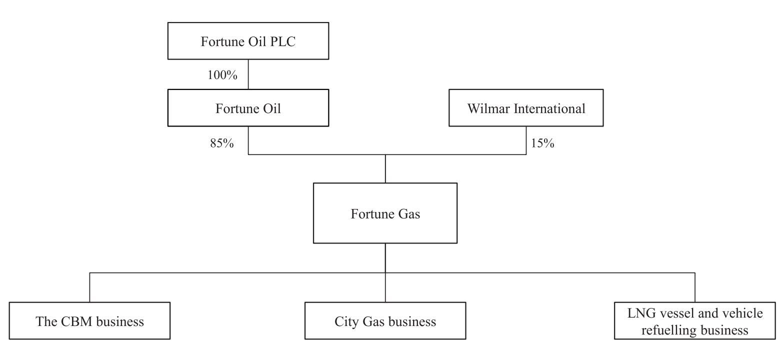
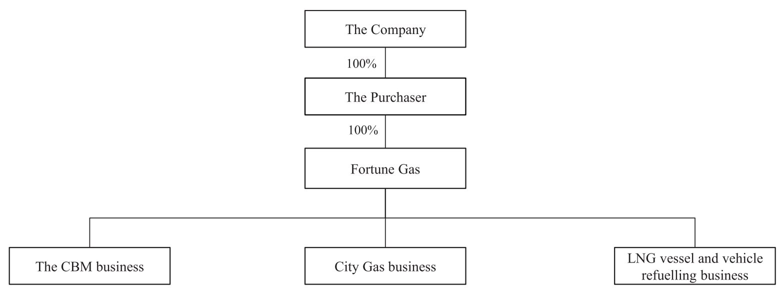


Chart 3: Simplified shareholding structure of the Target Group after the Transactions



Financial information

A summary of the unaudited consolidated financial information of Fortune Gas prepared in accordance with the Hong Kong Financial Reporting Standards, as provided by the Sellers, is as follows:

Table 1: Unaudited consolidated financial information of Fortune Gas

	For the year ended 31 December,		**For six months ended 30 June**
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Net profit before taxation and minority interests	21,294	28,895	9,427
Net profit after taxation but before minority interests	15,702	23,647	6,967
Minority interests	(4,145)	(3,305)	(1,348)
Net profit after taxation and minority interests	11,557	20,342	5,619

	As at 30 June 2012
	US$'000
Net asset value including minority interests	199,297
Net asset value excluding minority interests	174,868

Source: The "Letter from the Board" in the Circular

As stated in the "Letter from the Board" in the Circular, the above profit figures and net assets value of Fortune Gas has been adjusted to exclude the value of its subsidiaries to be disposed of by Fortune Gas prior to Completion and the impact of adjustments is not significant.

Employees

As at the end of July 2012, Fortune Gas had 1,384 employees, of which 23 are based in the headquarters, 896 in holding companies and 465 in non-holding companies. Employees with a master's degree, bachelor's degree, associate's degree and high school diploma or lower levels of education account for 2%, 18%, 38% and 42%, respectively.

Profit guarantee

As stated in the "Letter from the Board" in the Circular, if the actual Net Profit of the Target Group for financial year 2013 is less than HK$200,000,000, Fortune Oil shall compensate in cash the Purchaser for the shortfall between HK$200,000,000 and the actual Net Profit. If the Target Group makes a loss and the Net Profit is a negative figure, Fortune Oil shall, on top of compensating the HK$200,000,000 shortfall, make good for such losses suffered by the Purchaser by indemnifying the Purchaser on a dollar to dollar basis for the total amount of the negative figure.

If the actual Net Profit of the Target Group for financial year 2014 is less than HK$400,000,000, Fortune Oil shall compensate in cash the Purchaser for the shortfall between HK$400,000,000 and the actual Net Profit. If the Target Group makes a loss and the Net Profit is a negative figure, Fortune Oil shall, on top of compensating the HK$400,000,000 shortfall, make good for such losses suffered by the Purchaser by indemnifying the Purchaser on a dollar to dollar basis for the total amount of the negative figure.

Fortune Oil's obligation to pay compensation in respect of 2013 and 2014 is subject to certain conditions as further described in the section headed "Profit Guarantee" in the "Letter from the Board" in the Circular.

2. Reasons for the Transactions

Reasons for and benefits of the Transactions to the Company are set out in the "Letter from the Board" in the Circular. As stated in the "Chairman's Statement" in the Company's 2012 annual report, the Company is committed to enriching the content of value-added services and improving its marketing effects with a view to gradually increasing the weight of its value-added services in total operating profit, providing diversified and integrated one-stop energy solution and customer services thus uplifting the profitability and comprehensive competitiveness of its operation and service networks. As stated in the "Letter from the Board", the Directors consider that the Transactions are in line with the business strategies and the expansion plan of the Group. The main lines of business of the Target Group include city gas distribution, CBM business and LNG vessel and vehicle refuelling in the PRC. The Target Group's involvement in these areas evenly spreads across all stages of the business chain, i.e. upstream, mainstream and downstream. Such a balanced spread allows the Target Group to enjoy a higher level of risk resistance. Besides, its businesses in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning would be able to complement the existing portfolio and projects of the Group.

We note that as at 30 September 2012, China Gas operated piped gas supply in 120 cities, and had intermediate and arterial gas pipeline networks (excluding pipelines in the premises of its customers) of 35,043 km and 126 processing stations (city gate stations) constructed. We also note that the Group has secured 15 additional city piped gas projects in Heilongjiang Province, Hubei Province, Guangxi Zhuang Autonomous Region, Gansu Province, Jiangxi Province and Inner Mongolia Autonomous Region from 1 April 2012 to 28 November 2012. The Target Group's city gas distribution network in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning will strengthen the presence of China Gas in the North and Central regions of China.

We also note that China Gas does not currently have significant energy exploration and production businesses and CBM business of the Target Group will form part of China Gas' upstream business after the Transactions and expand China Gas' value chain vertically.

On 14 October 2012, the NDRC promulgated the Natural Gas Utilization Policy, which came into effect from 1 December 2012. Taking into consideration the social, environment and economic benefits of natural gas utilization and gas consumption characteristics of different users, the NDRC categorises natural gas users as "prioritised", "allowed", "restricted" and "prohibited" to strategically optimise the consumption structure and enhance the utilisation efficiency of natural gas. Urban development as well as vehicles and inland river, lake and coastal shipping vessels were among the prioritised fields for the utilisation of natural gas. As stated in the Company's 2012/13 interim report, the Group owned 153 natural gas refilling stations for vehicles, with a daily supply in excess of 1,710,000 m^3. Sales volume of CNG for vehicles accounted for 8.6% of the Group's total sales volume of natural gas for the six months ended 30 September 2012, representing an increase of approximately 23.8% as compared to the same period last year. The Target Group's LNG vessel and vehicle refuelling business is in line with abovementioned industry policies and the expansion plan of China Gas' CNG/LNG refuelling stations business.

3. Consideration

The aggregate consideration for the Sale Shares payable to the Sellers shall be US$400,000,000, which shall be settled by the Purchaser in the following manner:

(i) US$200,000,000 of payment in cash to Fortune Oil (or its nominee) and Wilmar International (or its nominee) in the ratio of 85:15 at Completion; and

(ii) US$200,000,000 of payment in cash (the "**Second Cash Consideration**") plus interest accrued thereon at the rate of 6% per annum (the "**Interest Element**") (on the basis of a 360 day/year) from the Completion Date up to and including the date of payment of the Second Cash Consideration. The Second Cash Consideration will be paid to Fortune Oil and Wilmar International in the ratio of 85:15 within 30 days of the expiry of the Election Period provided that Completion shall have taken place before the commencement of the Election Period. Fortune Oil may, for itself and on behalf of Wilmar International, elect to request the Purchaser and the Company to replace the Second Cash Consideration with new Shares in accordance with the terms of the Share Purchase Agreement. The election period is between 1 November 2013 to 31 December 2013 (or such other period as the Purchaser and the Sellers may agree in writing) (the "**Election Period**").

A. Comparable companies

In our assessment of the valuation of the Transactions, we have considered the following commonly used valuation multiples:

- Price-to-earnings ratio ("**P/E**"); and
- Price-to-book ratio ("**P/B**");

We have selected a list of comparable companies (the "**Comparable Companies**") of the Target Group for our comparison analysis based on the selection criteria that these companies: (a) were primarily engaged in city gas distribution, vessel and/or vehicle fuel gas and/or CBM production businesses in the PRC, based on the latest published annual report prior to the Latest Practicable Date; and (b) had a market capitalisation of not less than approximately US$300 million as at 14 December 2012. The selection criteria have provided us with reasonably sufficient samples for comparison purpose. Considering that the PRC adopts a consistent and similar natural gas policy throughout the country, such Comparable Companies are considered to be operating in a similar business environment. Although some of the Comparable Companies have market capitalisations significantly larger than that of the Target Group, they are included in the selection as their business scope is similar to that of the Target Group. We therefore consider them as comparable companies for our assessment pruposes.

Whilst comparable companies analysis reflect current market sentiment towards the sector and provide guidance on valuation, our analysis does not take into account differences in accounting policies and standards, different interim financial reporting periods as well as differences in business models and/or tax treatments, nor does it take into account any possible unique characteristic(s) of different companies and no adjustments have been made to account for such differences. We note that the financial information of all the Comparable Companies is prepared on the basis of Hong Kong Financial Reporting Standards ("**HKFRS**") in all material respects. Financial information of the Target Group is also prepared in accordance with HKFRS.

We have conducted our analysis and identified eleven companies based on the abovementioned selection criteria that we consider to be the closest comparables (after taking into consideration the factors as set out in our selection criteria) to the Target Group's business. We set out in the table below these Comparable Companies and their relevant valuation multiples based on their respective market trading prices. The valuation multiples of the Comparable Companies are based on their respective share prices as at 14 December 2012, being the last trading day prior to the Announcement (the "**Last Trading Day**"), their respective financial positions of balance sheet items, and the financial information for the 12-month period ended 31 December 2011 for all Comparable Companies (other than China Gas) and for the 12 month period ended 31 March 2012 for China Gas.

Table 2: Comparable Companies

	Place of listing	Market capitalisation[1][7] *(US$million)*	P/E[2]	P/B[3]
Beijing Enterprises Holdings Limited	Hong Kong	7,559	21.1x	1.5x
Binhai Investment Company Limited	Hong Kong	317	22.1x[4]	3.7x[5]
China Gas Holdings Limited	Hong Kong	3,656	29.7x[4]	2.7x[5]
China Oil and Gas Group Limited	Hong Kong	737	27.3x	2.0x
China Resources Gas Group Limited	Hong Kong	4,787	30.9x	4.1x
China Tian Lun Gas Holdings Limited	Hong Kong	414	31.5x	3.9x
ENN Energy Holdings Limited	Hong Kong	4,632	23.2x	3.8x
Kunlun Energy Company Limited	Hong Kong	16,595	22.9x	3.2x
Tianjin Tianlian Public Utilities Company Limited	Hong Kong	399	27.6x	1.7x
Towngas China Company Limited	Hong Kong	2,073	22.7x	1.6x
Zhongyu Gas Holdings Limited	Hong Kong	459	41.3x	2.9x
Average			27.3x	2.8x
Median			27.3x	2.9x
The Target Group			19.7x[6]	2.3x[6]

Source: Bloomberg, Capital IQ, company websites

Notes:

(1) Market capitalisation of the Comparable Companies are based on the closing share prices on the Last Trading Day

(2) P/E multiples are calculated based on the market capitalisation (using the respective share prices as at the Last Trading Day in the case of the Comparable Companies), divided by the respective consolidated profit attributable to shareholders for the 12-month period ended 31 December 2011 unless noted otherwise

(3) P/B multiples are calculated based on market capitalisation (using the respective share prices as at the Last Trading Day in the case of the Comparable Companies), divided by the respective shareholders' equity as at 30 June 2012 unless noted otherwise

(4) P/E multiple is calculated based on consolidated profit attributable to shareholders for the 12 month period ended 31 March 2012

(5) P/B multiple is calculated based on shareholders' equity as at 30 September 2012

(6) Excludes the Interest Element

(7) Foreign exchange assumptions: as at the Last Trading Day US$/RMB: 6.2923 published by the People's Bank of China; RMB/HK$: 0.8119 published by the People's Bank of China; US$/HK$: 7.7501 as published on Bloomberg

1) P/E Approach

The Consideration is approximately 19.7 times the consolidated net profit after taxation and minority interests for the year ended 31 December 2011, which was approximately US$20.3 million, as shown in the Table 1: Unaudited consolidated financial information of Fortune Gas.

The average P/E multiples of the Comparable Companies is 27.3 times for the year ended 31 December 2011 (except for China Gas Holdings Limited and Binhai Investment Company Limited, which is for 12 months ended 31 March 2012). The P/E multiple of the Target Group implied by the Consideration is lower than the average P/E multiple of the Comparable Companies.

2) P/B Approach

The Consideration is approximately 2.3 times the consolidated net consolidated asset value excluding minority interests of the Target Company as at 30 June 2012, which was US$174.9 million, as shown in the Table 1: Unaudited consolidated financial information of Fortune Gas.

The average P/B multiples of the Comparable Companies is 2.8 times as at 30 June 2012 (except for China Gas Holdings Limited and Binhai Investment Company Limited, which is as at 30 September 2012). The P/B multiple of the Target Group implied by the Consideration is lower than the average P/B multiple of the Comparable Companies.

B. Comparable Transactions

Regarding the comparable transactions, we have considered the following commonly used valuation multiples in our assessment of the valuation of the Transactions:

- P/E; and
- P/B;

We have selected a list of comparable transactions (the "**Comparable Transactions**") of the Transactions for our comparison analysis based on the selection criteria that these transaction targets: (a) were primarily engaged in the distribution of the natural gas, based on the historical published annual report or other regulatory filings; (b) were 100% acquired for, which we consider as a sensible benchmark as the business of the respective comapnies are similar to the business of the Target Group and the Comparable Transactions are of the same percentage of stake transfer. The benchmark also gives reasonably sufficient samples for comparison purpose.

Whilst comparable transactions analysis can reflect historical market sentiment towards the sector and provide guidance on valuation, we note that the analysis does not take into account differences in accounting policies and standards, different interim financial reporting periods as well as differences in business models and/or tax treatments, nor does it take into account any possible unique characteristic(s) of different companies and adjustments have been made to account for such differences.

We have conducted our analysis and identified five completed transactions based on the abovementioned selection criteria that we consider to be the closest comparables (after taking into consideration the factors as set out in our selection criteria) to the Target Group's business. We note that the target companies of four of the five Comparable Transactions were located in the United States of America, which are different from the Target Group's business environment. The target acquired by China Resources Gas Group Limited is located in the PRC (the "**PRC Transaction**"). The Comparable Transactions are for illustration of valuation multiples of transactions of companies with businesses similar to that of the Target Group. We set out in the table below these Comparable Transactions and their relevant valuation multiples based on their respective transaction values.

Table 3: Comparable Transactions

Completion date	Target	Target region	Acquiror	Implied equity value *(US$million)*	P/E[(1)]	P/B[(2)]
16 Oct 2012	CR Petrochem	China	China Resources Gas Group Limited	311[(3)]	86.6x[(4)]	1.8x
24 May 2012	El Paso Corp	United States	Kinder Morgan Inc	22,954	44.2x	4.9x
26 Mar 2012	Southern Union Co	United States	Energy Transfer Equity LP	5,461	22.6x	2.1x
9 Dec 2011	Nicor Inc	United States	AGL Resources Inc	2,472	16.1x	2.3x
17 Feb 2011	Atlas Energy Inc	United States	Chevron Corp	3,572	42.0x	2.6x
Average					31.2x	2.7x
Median					32.3x	2.3x
The Target Group					19.7x[(5)]	2.3x[(5)]

Source: Dealogic, company filings

Note:

(1) P/E multiples are calculated based on the implied market value, divided by the respective profit attributable to shareholders from continuing operations for the previous 12-month period prior to the transactions

(2) P/B multiples are calculated based on the implied market value, divided by the respective shareholders equity as at the previous period end prior to the transactions

(3) US$/HK$: 7.7564 as published on Bloomberg as at 23 August 2012, the day when the transaction was announced

(4) Not included in the calculation of average and median as the multiple is significantly deviated from those shown by other Comparable Transactions

(5) Excludes the Interest Element

1) P/E Approach

The Consideration is approximately 19.7 times the consolidated net profit after taxation and minority interests of the Target Company for the year ended 31 December 2011, which was approximately US$20.3 million, as shown in the Table 1: Unaudited consolidated financial information of Fortune Gas.

The average P/E multiples of the Comparable Transactions is 31.2 times. The P/E multiple of the Target Group implied by the Consideration is lower than the average P/E multiple of the Comparable Transactions.

The P/E multiple of the PRC Transaction is 86.6 times. The P/E multiple of the Target Group implied by the Consideration is lower than the P/E multiple of the PRC Transaction.

2) P/B Approach

The Consideration is approximately 2.3 times the net consolidated asset value excluding minority interest of the Target Company as at 30 June 2012, which was US$174.9 million, as shown in the Table 1: Unaudited consolidated financial information of Fortune Gas.

The average P/B multiples of the Comparable Transactions is 2.7 times. The P/B multiple of the Target Group implied by the Consideration is lower than the average P/B multiple of the Comparable Transactions.

The P/B multiple of the PRC Transaction is 1.8 times. The P/B multiple of the Target Group implied by the Consideration is higher than the P/B multiple of the PRC Transaction.

C. Valuation Report prepared by the Valuer

As stated in the "Letter from the Board" in the Circular, the Consideration for the Transactions was agreed between the Purchaser and the Sellers after arm's length negotiations with reference to a valuation report of the Target Group prepared by the Valuer (the "**Valuation Report**") and the valuation in other market examples of acquisitions involving comparable PRC companies in the same industry. For further details of the Valuation Report, please refer to Appendix I – Valuation Report by the Valuer.

We note that the fair value of 100% equity interest of for the entire share capital of the Target Group, as at 31 July 2012, is RMB2,737,061,000 (equivalent to approimately US$435,122,518) (the "**Valuation**"). The Consideration of the Transactions of US$400 million represents a 8.1% discount to the Valuation.

We have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Target Group as contained in the Valuation Report. Based on our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness, reasonableness and completeness of the assumptions used in arriving at their valuation. We have also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer including interviewing the Valuer and examining the Valuer's previous relevant experience.

As stated in the Valuation Report, the Independent Valuer adopted the income approach to value the 100% equity interests in Fortune Gas. Under the income approach, the Independent Valuer adopted the discounted cash flow method for the valuation. We understand that the Valuation Report adopts this method to capture the value of the CBM and the LNG vessel refuelling businesses, which are currently at a planning stage, based on the Target Group's development plan.

4. Specifc Mandate

Fortune Oil may, for itself and on behalf of Wilmar International, elect to request the Purchaser and the Company to replace the Second Cash Consideration with new Shares in accordance with the terms of the Share Purchase Agreement. During the period between 1 November 2013 and 31 December 2013 (or such other period as the Purchaser and the Sellers may agree in writing), Fortune Oil may serve a written notice on the Purchaser and the Company (with a copy delivered to Wilmar International on the same date) ("**Exercise Request**") requesting the Purchaser and the Company to satisfy all of the Second Cash Consideration by the Company allotting and issuing up to 250,000,000 new Shares and, where applicable, any cash payment ("**Cash Payment**") calculated in accordance with the Share Purchase Agreement, provided that the Completion shall have taken place before the commencement of the Election Period. Pursuant to the Share Purchase Agreement, the issue of the Consideration Shares will be issued by the Company to the Sellers under the Specific Mandate to be approved by the Shareholders at the SGM and will also be subject to the approval of the Board at that time.

A. Issue price of the Consideration Shares

As set out in the Share Purchase Agreement, the Consideration Shares shall be issued by the Company to the Sellers under the Specific Mandate to be approved by the Shareholders at the SGM at the Benchmark Share Price (the "**Benchmark Share Price**"). The Benchmark Share Price shall be the average closing price per Share (as appearing on or derived from Bloomberg or any successor service) for the thirty (30) consecutive trading days immediately prior to the date of the Exercise Request, provided that if at any time during any of the above trading day periods, the Shares shall have been quoted ex-dividend, and during some other part of that period, the Shares shall have been quoted cum-dividend, then the quotations on the dates on which the Shares shall have been quoted ex-dividend shall be deemed to be the closing price thereof (as appearing on or derived from Bloomberg or any successor service) plus an amount equal to the amount of such dividend per Share.

Also, as set out in the Share Purchase Agreement, if any Consideration Shares shall be issued to the Sellers under the Share Purchase Agreement, the following shall apply:

(a) If the product of 250,000,000 Shares and the Benchmark Share Price (the "**Product**") is equal to US$200,000,000, then the Consideration Shares issuable to Fortune Oil and Wilmar international shall be 212,500,000 Shares and 37,500,000 Shares, respectively.

(b) If the Product is higher than US$200,000,000, then the Consideration Shares issuable shall be calculated as follows:

The adjusted number of Consideration Shares = US$200,000,000/Benchmark Share Price

where:

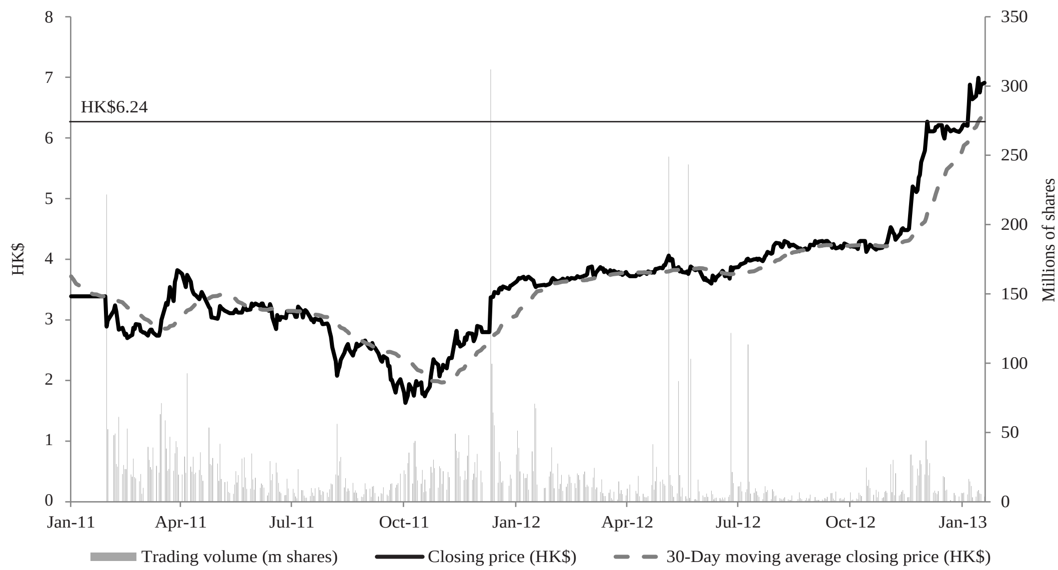
The adjusted number of Consideration Shares shall be apportioned between Fortune Oil and Wilmar International in the ratio of 85:15.

(c) If the Product is lower than US$200,000,000 (the difference between these figures shall be referred to as the "**Difference**"), then the Consideration Shares issuable to Fortune Oil and Wilmar International shall be 212,500,000 Shares and 37,500,000 Shares, respectively. In addition to the issuance of such Consideration Shares, the Purchaser shall make a Cash Payment of, in the case of Fortune Oil, 85% of the Difference, and in the case of Wilmar International, 15% of the Difference, to be settled in cash by wire transfer of immediately available funds to the relevant Seller's bank accounts or by such other method as the Purchaser and the relevant Seller may agree in writing.

We note that according to the relevant terms set out in the Share Purchase Agreement, if the Benchmark Share Price at the date of Exercise Request is greater than US$0.8 (equivalent to HK$6.24), the number of Consideration Shares to be issued will be less than 250,000,000; if the Benchmark Share Price at the date of Exercise Request is less than US$0.8, the number of Consideration Shares to be issued will be 250,000,000 and Cash Payment will be made to cover the Difference.

Set out below is a chart illustrating the histroical closing price, 30-day moving average closing price and daily trading volume of the Shares between 3 January 2011 and 21 January 2013 (both dates inclusive):

Chart 4: Historical closing price, 30-day moving average closing price and trading volume of the Shares



B. Dilution effect arising from the issue of the Consideration Shares

Assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the day of the issue of the Consideration Shares, the maximum number of the Consideration Shares to be issued shall be 250,000,000 Shares, representing:

(a) approximately 5.47% of the issued share capital of the Company as at the date of the Announcement; and

(b) approximately 5.19% of the issued share capital of the enlarged Company after the issuance of the Consideration Shares.

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue of the Consideration Shares is set out in "Letter from the Board" in the Circular.

We note if the Second Cash Consideration is settled by the issue of the Consideration Shares, the maximum number of the Consideration Shares to be issued is 250,000,000, limiting the existing shareholding dilution (other than Fortune Oil's holding which will increase if the Second Cash Consideration is settled by issue of Consideration Shares) to 5.19% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares. If the Benchmark Share Price is above US$0.8 (equivalent to approximately HK$6.24), the shareholding dilution effect will be less.

C. Interest Element

Interest is accrued on the Second Cash Consideration at the rate of 6% (on the basis of a 360 day/year) from the Completion Date up to and including the date of payment of the Second Cash Consideration. We note that as per stated in the China Gas' annual report for the year ended 31 March 2012, the Company's weighted average contractual interest rate for bank and other borrowings (fixed rate) is at 6.35%, which is higher than the Interest Element set out in the Share Purchase Agreement. We note that the Interest Element will only be payable if the Second Cash Consideration is paid or in the case where any condition to the issue of the Consideration Shares is not satisfied, but not if any Consideration Shares are issued to the Sellers.

D. Nomination rights

As stated in the "Letter from the Board" in the Circular, upon Completion, the Guarantor shall have the rights from time to time to nominate (a) a person to the Board to be considered as an executive director of the Company and (b) a person to the Board to be considered as a managing director of the Company. The Board shall have the discretion to decide whether such nomination by the Guarantor shall be put forward to the nomination committee of the Company and to the Shareholders for approval.

We note that the Guarantor's nomination is subject to the approvals from the nomination committee of the Board, the Board and Shareholders. In particular, the Shareholders will therefore have an opportunity to consider the nomination taking into account the biographical information of the person nominated by the Guarantor.

CONCLUSIONS AND RECOMMENDATION

Having considered and analysed the principal factors as set out in this letter, we would like to draw your attention to the following key factors, which should be read in conjunction with, and interpreted in, the full context of the Circular, in arriving at our conclusion:

– China Gas is a gas operator and service provider in China. The Target Group is engaged in the businesses of natural gas, wholesale and retail distributions, natural gas refuelling, upstream CBM business, LNG supply to public transit vehicles and development of LNG dual fuel vessel refuelling business along the Yangtze River. The Transactions are in line with the business strategies and the expansion plan of China Gas;

– the Target Group recorded net profit after taxation and minority interests of US$11.6 million and US$20.3 million for the year ended 31 December 2010 and 2011 respectively. If the actual Net Profit of the Target Group for financial years 2013 and 2014 are less than HK$200 million (equivalent to approximately US$26 million) and HK$400 million (equivalent to approximately US$51 million) respectively, Fortune Oil shall compensate in cash the Purchaser for the shortfall;

– the P/E and P/B multiples of the Target Group implied by the Consideration are lower than the average P/E and P/B multiple of the Comparable Companies and the Comparable Transactions. The Consideration is also lower than the Target Group's valuation suggested by the Valuation Report; and

– the Second Cash Consideration may be settled by the issue of the Consideration Shares, the maximum number of the Consideration Shares to be issued is 250,000,000, The existing shareholding dilution is limited to approximately 5.19% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Based on the above, we are of the opinion that the Transactions are on normal commercial terms and the terms of the Transactions are fair and reasonable and in the interests of China Gas and the Shareholders as a whole so far as the Independent Shareholders are concerned. Therefore, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in relation to the Transactions.

Yours faithfully,
For and on behalf of
ING BANK N.V.

Thiam Kit Lee	**Andrew Lau**
Managing Director	*Director*

CBRE

22 January 2013

To: The Board of Directors

China Gas Holdings Limited
16/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

RE: VALUATION ON 100% EQUITY VALUE OF 富地燃氣投資控股有限公司 (FORTUNE GAS INVESTMENT HOLDINGS LTD)

We refer to the engagement by China Gas Holdings Limited (the "Company" or "China Gas") to provide our opinion of the fair value of 100% equity interests in Fortune Gas Investment Holdings Ltd ("Fortune Gas") as at 31 July 2012 (the "Valuation Date") to provide a reference to the Company.

This valuation report is for the Company's publication purpose and will be attached to publications made by the Company to its shareholders. We confirm that we have made relevant investigation, enquiries and requests and obtained such further information as we consider necessary for the purpose of providing our opinion.

1. BASIS OF VALUATION

We have observed and followed the standards laid down by "The HKIS Valuation Standards on Trade-Related Business Assets and Business Enterprises (First Edition 2004)", Business Valuation Standards (2005) of The Hong Kong Business Valuation Forum and International Valuation Standards (the "IVS").

Our valuation is conducted on a fair value basis. Fair value is defined as "the estimated amount for which an asset should be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

2. BACKGROUND OF FORTUNE GAS

Fortune Gas Investment Holdings Ltd ("Fortune Gas") is an investment holding company incorporated in Hong Kong, as to 85% owned by Fortune Oil PLC and 15% owned by Wilmar International, respectively.

Investments made by Fortune Gas in Mainland China covers three business segments, namely urban gas ("City Gas Segment"), CBM ("CBM Segment") and LNG vessel and vehicle refueling ("Vessel Refueling Segment"), comprising a total of 28 projects (city gas: 23; CBM: 1; LNG vessel and vehicle refuelling: 4).

The projects undertaken by Fortune Gas are mainly situated in north and central China, of which, the 22 city gas projects are mainly located in Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan and Liaoning; the 2 CBM projects are located in Liulin of Shanxi; and the 4 LNG vessel and vehicle refueling projects are located in Chongqing, Hubei and Liaoning.

3. INDUSTRY OVERVIEW

Natural gas, a kind of combustible gas generated from ancient creatures buried underground through high temperature and high pressure reactions of millions of years, is a colourless, tasteless, non-toxic, clean and environmental quality energy featuring high calorific value and stable combustion. As a category of gaseous fossil fuel mainly consisting of methane, it is found primarily in oil and gas fields and partially in coalbeds.

During the latest decade, China has witnessed rapidly growing demand for natural gas in its economic development, as demonstrated by an annual growth of 17% from 2001 to 2011. According to the International Energy Agency, China consumed 107.2 billion cubic metres of natural gas in 2010, representing a growth of 22.73% year-on-year.

Currently, China's domestic natural gas production is approximately 94.5 billion cubic metres which can cover around 85-90% of its consumption, while the rest needs to be imported from Central Asia and Australia. The Twelfth Five-year Plan of Chinese central government states that by 2015, the proportion of natural gas in primary energy consumption should increase to 8.3% from 3.9% in 2009, equivalent to annual consumption of 260 billion cubic metres according to China's energy consumption goal.

At present, natural gas pricing in the PRC is primarily determined under an administrative mechanism using the cost mark-up approach. According to different gas sources, routes and purposes, ex-work price and pipeline transmission price are determined by the National Development and Reform Commission ("NDRC") and distribution service rates are formulated by local governments, while the timing and amplitude of adjustments to residential user gas tariffs are subject to consent at public hearings. Therefore, natural gas has better cost advantage compared to other fuels with prices determined on a market basis or affected by crude oil price hikes. According to the data published by the NDRC, the price ratio between oil and natural gas with equivalent calorific value is at 1:0.24 domestically, compared to 1:0.6 prevailing in the world.

Pursuant to the "Notice of Pilot Reforms on Natural Gas Pricing Mechanism in Guangdong and Guangxi" issued by the NDRC in December 2011, natural gas prices in Guangdong and Guangxi should be determined by linking to alternative energy of equivalent calorific value, based on which the natural gas prices at various chains are derived by deducting the pipeline transmission expenses.

Natural gas is to enjoy a promising growth potential both in market and price, given its high calorific value and low pollution as compared to traditional energy such as oil and coal, as well as the long-term commitment of Chinese government to encourage its application in various fields through preferential policies, regulatory measures and infrastructure construction. In the near term, the applications including urban residential gas supply, transportation vehicles fuelled by natural gas and gas-fired power generation will be prioritized.

4. VALUATION METHODOLOGY

We have derived the valuation of 100% equity interests in Fortune Gas by combining the valuation results respectively for its City Gas Segment, CBM Segment and Vessel Refueling Segment, taking into consideration their business natures, operation models and risk factors differing from each other. During the valuation process, we have considered three traditional valuation approaches namely the asset approach (or cost approach), income approach and market approach, which are outlined as below:

Asset Approach (or Cost Approach)

Asset approach (or known as cost approach) is an asset-based rather than a market-oriented method. It requires valuing the assets on an individual basis to add up to the total valuations of assets.

Under this approach, the expenses or costs on replacing or re-acquiring individual items or parts are estimated by valuers on an itemised basis, thus arriving at the valuation of target assets.

Generally, fair value of tangible assets can be valued through the asset approach. However, the asset approach is not suitable in many circumstances especially for valuation of a company's business value/value of equity interests as a whole, as it takes no consideration of the company's business operation and development plan.

Market Approach

Market approach is the most straightforward valuation method in determining fair value of assets/business. Under this approach, valuers seek to identify the transaction cases having been executed and qualified as a reference for value comparison. It is normally difficult to apply the approach to small non-listed companies, as there are insufficient comparables for reference and the public and reliable financial information is unavailable for valuers.

Income Approach

Income approach, or sometimes known as investment value approach, is an income-oriented valuation method assuming that the investors may invest in alternative business with similar characteristics but not necessarily identical with the subject business.

Under the income approach, company value equals to the present value of the future expected income of its businesses, which involves the principle of capitalisation. Generally, capitalisation is a process through which the expected incomes are discounted based on the required rate of return (risk factors).

5. SELECTION OF VALUATION APPROACH

According to the discussion with its management, Fortune Gas will implement capital expenditure plan during the financial forecast period to expand its production capacity and enhance its sales capability and profitability. In addition, the CBM Segment and the Vessel Refueling Segment of Fortune Gas are currently in a preliminary stage. We considered that comparing with income approach, market approach and cost approach are more limited in capturing the future economic benefit of the CBM segment and the vessel Refueling Segment.

We finally adopted income approach to value the 100% equity interests in Fortune Gas. Based on adequate understanding of daily operation and prospects of Fortune Gas, we believe that a method based on a set of financial forecast with future incomes discounted at the proper discount rate may give a comprehensive view of the business nature, development potential and risk factors of Fortune Gas.

Under the income approach, we adopted the discounted cash flow ("DCF") method for the valuation. For this purpose, free cash flows are defined as the part of cash available for distribution to a company's creditors and shareholders, which is the remaining cash out of the company's profit (mainly in cash) on its business revenue, net of cost of sales and operating expenses, after making short-term investments of working capital (such as trade receivables, inventories and trade payables) and other long-term investments (such as capital expenditure, properties and equipment) as well as the adjustments to non-cash profit.

As an application of income approach, the DCF method is a widely used valuation method under which company value is derived through discounting future cash flows into present value at reasonable discount rate(s) selected based on the forecast of future free cash flows and the relevant risks.

6. ANALYSIS OF THE CITY GAS SEGMENT

Background

As at the Valuation Date, Fortune Gas through its subsidiaries conducts urban gas operations in Beijing, Shuozhou, Tianjin, Qufu, Sishui, Jining, Luquan, Liulin, Xinyang, Shenyang and Quyang. During the valuation process, we have established separate financial models for each business unit of Fortune Gas to arrive at the valuation conclusion.

As at 31 July 2012, the project companies under Fortune Gas have accumulated a total of 199,868 installed users, including 198,910 residential users, 923 commercial users and 37 industrial users. The number of connected users is 133,607 in total, including 132,783 residential users, 792 commercial users and 32 industrial users. The sales volume of natural gas realized by Fortune Gas amounted to 290 million cubic metres, 417 million cubic metres and 448 million cubic metres respectively during the three years from 2009 to 2011, while the sales volume for the first seven months of 2012 was 257 million cubic metres.

Financial Forecast Information

Through management discussion and site inspection to Fortune Gas during the valuation process, we obtained the financial forecast information of its City Gas Segment from August 2012 to December 2016, which is taken as the basis of our valuation. The major premises and assumptions for the financial forecast information under the valuation are illustrated as follows:

Financial Year

The reporting date of a financial year for Fortune Gas is 31 December of each year. Accordingly, the financial year 2012 for Fortune Gas is from 1 January 2012 up to 31 December 2012.

Retail Business Growth and Gross Profit Margin

In the financial forecast period, the retail business growth rates in most regions are in line with the growth in China's natural gas market, ranging from 10% to 15%. As estimated by the management, the gross profit margin of retail business ranges from 8% to 27% due to the different local business environments.

Wholesale Business Growth and Gross Profit Margin

The wholesale business growth of Fortune Gas for the financial forecast period ranges from 5% to 15%. Based on the management discussion and historical financial data, the gross profit margin of wholesale business ranges from 3% to 9% due to the different local business environments.

Connection Business Growth and Gross Profit Margin

The connection business growth of Fortune Gas for the financial forecast period ranges from 5% to 10%. Based on the management discussion and historical financial data, the gross profit margin of connection business ranges from 48% to 66% due to the different local business environments.

Working Capital

For the City Gas Segment of Fortune Gas, the collection days of trade receivables, the payment days of trade payables and the inventory turnover days for the financial forecast period are extrapolated based on the average historical financial data.

7. ANALYSIS OF THE CBM SEGMENT

Project Background

Fortune Liulin Gas Co., Ltd ("Fortune Liulin") is a company incorporated in Hong Kong and jointly established by Fortune Green Energy Ltd. ("Fortune Green Energy", a wholly-owned subsidiary of Fortune Gas) and an Australian listed company, with each party holding 50% equity interests. The company's management is headquartered in Beijing. As the foreign operator on behalf of a state-owned CBM investment company, Fortune Liulin jointly conducts CBM exploration and development with it in the Shanxi Liulin block. As agreed in the product sharing contract, this state-owned CBM investment company as the exploration licence owner for the Liulin CBM joint exploration project and Fortune Liulin as the foreign operator shall jointly conduct the exploration and development in the

Liulin block. This state-owned CBM investment company is in charge of commercial sales of CBM. The return on investment is 50%:50% shared by the parties pursuant to the product sharing contract, suggesting that Fortune Green Energy is 25% interested in the Liulin block.

The Liulin CBM block, comprising two blocks located in the north and south respectively, covers a total area of 183.74 square kilometres, On 5 May 2010, based on the appraisal by the Oil and Gas Professional Office of its Mineral Resources Evaluation Center, the Ministry of Land and Resources of the PRC issued the Evaluation Record Proof of Mineral Resources Reserve (Land Reserve Document No. 82 [2010]) on the "Proven Reserve Report on No. 3+4 and No. 5 New CBM Units (Permian System, Shanxi Group) in the north of Liulin CBM Field", identifying a CBM recoverable reserve of 2.985 billion cubic metres in north region of Liulin. Moreover, the "Proven Reserve Report on No. 8+9+10 (Permian System, Shanxi Group) and No. 3+4 and No. 5 in the South Block and the New CBM Units of Liulin CBM Field" has been completed and submitted to the Oil and Gas Professional Office of the Mineral Resources Evaluation Center of the Ministry of Land and Resources for review. The report suggests that the recoverable reserve of the new CBM amounts to 14.356 billion cubic metres.

Financial Forecast Information

Estimated Production Volume

As estimated by the management of Fortune Liulin, the estimated mine life of the Liulin CBM block is from 2013 to 2027, with an estimated total gas production volume of 5.8 billion cubic metres, including recoverable reserve of 2.985 billion cubic metres in the northern upper zone and the estimated recoverable reserve in the remaining zones.

Capital Expenditure

As estimated by the management of Fortune Liulin, the gathering system Phase I still needs to expense approximately RMB112.83 million (equivalent to approximately HK$139.91 million), whilst the capital expenditure for the gathering system Phase II is estimated at approximately RMB219.94 million (equivalent to approximately HK$272.73 million).

The management of Fortune Liulin expects to further drill 141 vertical wells and 61 horizontal wells from 2013 to 2018. According to historical financial data and the management discussion, the estimated average construction cost is RMB2.25 million (equivalent to approximately HK$2.79 million) for each vertical well and RMB12.00 million (equivalent to approximately HK$14.88 million) for each horizontal well.

Selling Price

In August 2010, the state-owned CBM investment company and China United Shanxi entered into the CBM Purchase and Sales Contract for Liulin Project (Northern). Pursuant to the contract, the selling price for the Liulin CBM block for 2013 was agreed at RMB1.58 (equivalent to approximately HK$1.96) per cubic metre. The selling price will be subject to annual adjustment based on the market well head price of natural gas in neighbouring areas.

8. ANALYSIS OF THE VESSEL REFUELING SEGMENT

Project Background

On the LNG refilling business for vessels in China, Fortune Gas has two investment platforms, namely vessel conversion technology and LNG refilling stations for vessels, on which basis three business development networks including vessel conversion, construction of gas refilling stations and energy contract management have been established. As for the LNG vessel conversion business, Fortune Gas owns various LNG vessel engine patents and intellectual property rights through its subsidiary Beijing Fortune Honghua Power Technology Ltd., and becomes a leading player in vessel conversion technology. The gas refilling business for vessels is focused around Chongqing, Hubei, Jiangsu, Anhui and other provinces along the Yangtze waterway, inland rivers and lake area.

Currently, the largest clients in the LNG business for vessels include large state-owned shipping enterprises which have a leading position on the main stem of the Yangtze River. These enterprises have more than 4,000 vessels and occupy 40% of the total shipping capacity on the main stem of the Yangtze River. Such enterprises are planning to cooperate with Fortune Gas to convert 100 LNG-diesel hybrid vessels.

Gas Refilling Station at Chongqing Dock

As at the Valuation Date, Chongqing Fujiang Energy Technology Co., Ltd. ("Chongqing Fujiang"), a subsidiary of Fortune Gas, has selected a land parcel in the Chongqing Maliu Riverside Development Zone for construction of on-dock LNG refilling station. On 3 May 2012, Chongqing Fujiang and the Construction and Management Committee of the Chongqing Maliu Riverside Development Zone entered into an official letter of occupation, pursuant to which the gas refilling station at Chongqing Dock is estimated to cover a site area of 44 Chinese Mu.

According to our site inspection to the land parcel for the on-dock gas refilling station, as at the Valuation Date, Chongqing Fujiang has started the preparation for the retaining wall work at the land parcel, and embarked on bid invitation for key projects including civil engineering, pontoon and pier boat, but land grounding and resident relocation around the venue are yet to be completed. As estimated by the management of Chongqing Fujiang, the gas refilling station at Chongqing Dock will be completed and put into operation in June to July 2013.

Cooperation on Gas Sources

Furthermore, on 27 September 2012, Chongqing Fujiang entered into a strategic cooperation framework agreement with a major state-owned natural gas operator which owns a LNG plant with daily capacity of 1 million cubic metres in Guang'an City, Sichuan Province. Pursuant to the strategic cooperation framework agreement, the operator will become a major supplier for the gas refilling station at Chongqing Dock.

Additional Information

According to our discussion with the management of Fortune Gas, Fortune Gas has also started the site selection process for on-dock gas refilling stations in Jingjiang, Jiangsu and Ezhou, Hubei, which are scheduled to be completed and commence operation in the second half of 2013 to 2015. Meanwhile, Fortune Gas has embarked on preliminary cooperation with local governments in Chizhou, Anhui and Zigui, Hubei. According to the future plan provided by the management of Fortune Gas, by 2020, the Vessel Refueling Segment will have constructed 11 on-dock gas refilling stations each with a daily refilling capacity of approximately 225,000 cubic metres.

Financial Forecast Information

Production Capacity

As estimated by the management, each on-dock gas refilling station under the Vessel Refueling Segment will have an average daily capacity of 225,000 cubic metres, with 26 employees to be staffed in each station.

As estimated by the management, due to the limited number of dual-fuel vessels renovated in the initial stage of the Vessel Refueling Segment, the capacity utilisation ratio of gas refilling stations will be lower at first (2013: 25%), but should ratchet up along the progress of the Vessel Refueling Segment and meet 100% by 2020.

As estimated by the management, the capital expenditure on each on-dock gas refilling station under the Vessel Refueling Segment comprises RMB9.5 million (equivalent to approximately HK$11.78 million) for land use right, RMB47.0 million (equivalent to approximately HK$58.28 million) for site construction and RMB43.5 million (equivalent to approximately HK$53.94 million) for production equipment, totaling RMB100.0 million.

As estimated by the management, for each cubic metre of natural gas under the Vessel Refueling Segment, the selling price is RMB4.1 (equivalent to approximately HK$5.08) and the cost is RMB3.3 (equivalent to approximately HK$4.09), representing an expected gross profit margin of RMB0.8 (equivalent to approximately HK$0.99).

9. DISCOUNT RATE

The costs of capital for City Gas Segment, CBM Segment and Vessel Refueling Segment of Fortune Gas differ from each other due to their different risk factors. In the valuation process, we first calculated the basic weighted average cost of capital ("WACC") for Fortune Gas' natural gas business, and then determined the appropriate cash flow discount rates for its respective segments by analysing their specific risk premiums.

The basic discount rate adopted is calculated based on the weighted cost of equity capital and cost of debt capital. In particular, the cost of equity capital is calculated using the capital asset pricing model (CAPM model), while the cost of debt capital is derived from the benchmark interest rate for 5-year long-term loan in the PRC.

We have selected a group of comparable companies listed on stock exchanges to provide a reasonable reference in order to evaluate the appropriate discount rates of the businesses. Our selection criteria are that the comparable companies should:

- primarily engage in natural gas processing, transmission, distribution and retail businesses; and
- have the principle operation(s) located in Mainland China.

Basic Discount Rate for Fortune Gas

The basic WACC for Fortune Gas is determined at 12%. Please refer to the following table for major parameters we have adopted:

Parameters	**As at 31 July 2012**	*Note*
Weight of equity	67.61%	*1*
Weight of debt	32.39%	*1*
Company leveraged beta	0.77	*2*
Risk-free interest rate	3.29%	*3*
Market risk premium	11.97%	*4*
Company size premium	2.74%	*5*
Cost of equity capital	**15.19%**	
Income tax rate	25.00%	*6*
Cost of debt capital	6.55%	*7*
Cost of debt capital after tax	**4.91%**	
WACC (rounded)	**12.00%**	

Notes:

1. Derived based on the debt-to-equity ratio of a set of comparable companies. Source: Bloomberg;
2. Derived based on the beta of a set of comparable companies. Source: Bloomberg;
3. Derived with reference to the yield of 10-year Chinese sovereign bonds. Source: Bloomberg;
4. Derived with reference to the long-term equity risk premium in Chinese stock market. Source: Bloomberg;
5. Source: Ibboston SBBI 2011 Valuation Yearbook, published by Morningstar;
6. The corporate income tax rate applicable to Fortune Gas;
7. The prevailing 5-year prime lending rate in the PRC. Source: the People's Bank of China.

Discount Rate for the City Gas Segment

We are of opinion that the basic discount rate as mentioned above is appropriate for the City Gas Segment of Fortune Gas, as the segment has operated stably as a matured business with a relatively long track record.

Discount Rate for the CBM Segment

For the CBM Segment of Fortune Gas, given that:

- the CBM Segment is yet to complete its development before commencing operation;
- Fortune Gas still needs to invest additional capital in construction of the gathering system; and
- Fortune Gas still needs to commit additional efforts in obtaining relevant governmental approval documents,

We are of opinion that an extra risk premium specific to the CBM Segment on the top of the basic discount rate is necessary for reflecting the nature of its commercial risks. Therefore, we adopted a discount rate of 15.0% in actual calculation.

Discount Rate for the Vessel Refueling Segment

For the Vessel Refueling Segment of Fortune Gas, given that:

- Fortune Gas has not conducted the dual-fuel renovation of vessel engines in a large scale;
- the Chongqing gas refilling station of Fortune Gas is yet to be completed; and
- the operating data of similar industries in market are unavailable for comparison,

We are of opinion that an extra risk premium specific to the Vessel Refueling Segment on the top of the basic discount rate is necessary for reflecting the nature of its commercial risks. Therefore, we adopted a discount rate of 18.0% in actual calculation.

10. OTHER VALUATION ADJUSTMENTS

Determination of Terminal Value and Perpetual Growth Rate

For the purpose of the valuation, the timing for determining terminal value of the City Gas Segment of Fortune Gas is set at year 2016. According to the discussion with the management, the City Gas Segment is estimated to have fully utilized its capacity, built up a desired product portfolio and entered a sound long-term growth stage by 2016. Therefore, we believe year 2016 should be an appropriate timing for determining terminal value. Meanwhile, we set its perpetual growth rate at 3% for the purpose of the valuation.

During the valuation process, we considered it unnecessary to determine the terminal value and the perpetual growth rate for the CBM Segment of Fortune Gas, as its resources are estimated be depleted in 2027.

For the purpose of the valuation, the timing for determining terminal value of the Vessel Refueling Segment of Fortune Gas is set at year 2023. According to the discussion with the management, the Vessel Refueling Segment is estimated to have reached a desired scale of 11 on-dock gas refilling stations and entered a sound long-term growth stage by 2023. Therefore, we believe year 2023 should be an appropriate timing for determining terminal value. Meanwhile, we set its perpetual growth rate at 3% for the purpose of the valuation.

Lack of Marketability Discount

The equity interest in Fortune Gas, a non-listed company, lacks an active trading market. In valuing 100% equity interests in Fortune Gas, we have adopted a lack of marketability discount of 20% in valuation for City Gas Segment, CBM Segment and Vessel Refueling Segment to compensate for difficulty of selling shares of stock that are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets.

11. OUR INVESTIGATION AND PROCEDURE

Our investigation covers the discussions with the Company and the management of Fortune Gas, as well as information collection regarding company history, business and development prospects. Also, we performed site inspections to CBM Segment, Vessel Refueling Segment and to major subsidiaries of City Gas Segment.

We have also considered the industry trends and relevant laws. We requested detailed information about the Company's position in order to conduct a detailed review and make an impartial and independent valuation on 100% equity interest of Fortune Gas. We assume that the opinions and statements expressed and data provided in the valuation process by the Company and Fortune Gas are reasonable and accurate. As we are not able to audit the business data provided by Fortune Gas, we have no reason to doubt the accuracy of the information. However, in case of any discrepancy between the data provided and the facts, we reserve the right to modify our valuation.

The valuation considerations include but are not limited to:

- History of Fortune Gas;
- Financial position and development plan of Fortune Gas;
- Operating models and management of Fortune Gas;

- Production and operation requirements in the natural gas industry;
- Risk factors in CBM development;
- Demand for conversion of vessel engines in the Yangtze River area;
- Conditions of fixed assets owned by Fortune Gas;
- Current economy and the industry outlook;
- Specific economic environment and competition from peers;
- Financial and business risks of Fortune Gas, including the continuity of income and the foreseeable future results;
- Market return in the industry and similar businesses; and
- Other factors that would have significant impact on the valuation conclusion.

Management Interview

We made a management interview with Fortune Gas regarding the advisory engagement in October 2012. Through the interview, we obtained understanding of Fortune Gas and its subsidiaries including their establishment background, operations, management systems and future prospects. We have reviewed the financial forecast provided by the management based on the information obtained through the interview.

We also held a meeting with the Company in November 2012. During the meeting, we discussed the business forecast of Fortune Gas as well as our valuation methodologies and assumptions to be adopted. We also attended a board meeting of the Company in December 2012 regarding the acquisition of the Fortune Gas.

12. VALUATION ASSUMPTIONS

Due to the changing environment in which the Fortune Gas is operating, a number of commercial assumptions have been prepared by the management of the Fortune Gas in order to sufficiently support our concluded opinion of the Fair Value. We have discussed the assumptions with the management of Fortune Gas and Directors of the Company, and are satisfied that the assumptions have been properly made with due care. The assumptions are listed as follows:

- Fortune Gas will continue to manage and operate natural gas business in the PRC and fulfill all legal and regulatory requirements for the continuation of the natural gas business;

- There will be no material changes in politics, laws, rules or regulations, or financial or economic or market conditions where Fortune Gas currently operates which may materially and adversely affect the operations of the natural gas business. The future earnings as projected by Fortune Gas are in line with its overall development strategy, industrial development trend and national policy towards the industry;

- There will be no major changes in the current taxation law in the PRC where Fortune Gas currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation in the PRC will be complied with;

- There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of Fortune Gas;

- Any title evidence, Concession agreements, joint venture agreements, customer contracts, supply contracts, exploration/development rights for the CBM segement, patents in relation to the vessel conversion segement, financial statements, accounting vouchers, schedule of assets and their condition, the technical report in relation to the reserve of the CBM project, other relevant government and approvals or other relevant information as provided by Fortune Gas in connection with the valuation is true, lawful, complete and credible;

- It is assumed that Fortune Gas will remain the same in its business scope, business model and business orientation on the basis of its existing management approach and standards;

- The supply of natural gas to Fortune Gas is stable and can ensure its need for transmission operation;

- Capital expenditure mainly consists of future investments of Fortune Gas in building natural gas pipelines, storages, gas stations and renovating and upgrading the pipelines. It is assumed that future investment plans of Fortune Gas other than Vessel Refueling Segment will be carried out without major adjustments going forward.

- There will be no material change in the management of the operating entities of Fortune Gas.

13. GENERAL SERVICE CONDITIONS

- The valuation conclusion shall not be used in conjunction with other evaluation or research, and shall not be used separately or in part as it is based on the procedures set out herein. We undertake no responsibility for any unauthorised change or modification by any party other than CBRE HK Limited.

- Unless otherwise specified, a business valuation takes no consideration of any potential economic benefit or loss arising from or incidental to contingent assets or liabilities or events.

- As the quality of corporate management may have a direct impact on business valuation or feasibility, we assume that the management is adequately capable and the corporate ownership belongs to the person in charge unless otherwise specified herein.

- Unless otherwise specified, we did not take into consideration any potential impact from future national, provincial or municipal legislation (including any environmental or ecological legislation) in the valuation process.

- Any trading decisions or transfer of corporate shares, including trading criteria and price, are the responsibility of the shareholders.

- The considerations in determining trading price are a subject beyond the information obtained by or provided to us. The prices involved in actual business transactions may be higher or lower than our valuation, depending on the specific circumstances such as transaction time, business, knowledge and motivation of buyers and sellers.

- All facts and data referred to herein are based on what we are aware of and are true and accurate in our belief. We have made no investigation on any legal fees or corporate ownership, and we assume that the shareholders' claims and interests in business are effective and valid. We did not take into account any lien or mortgage right of Fortune Gas.

- Unless expressly specified, the valuation hereunder is based on the assumption that all assets are used in Fortune Gas's business. We rely on the representations of shareholders and the management as to other assets or liabilities. We have no responsibility for confirm the free use of assets and the existence of definite pre-emptive rights and mortgage right, or the sound asset ownership of Fortune Gas.

- We accept no legal liabilities, costs or expenses associated with the maintenance of our proposition and standpoint against all matters that could potentially be challenged, including the opposite position held by a court or other parties. However, we will keep relevant working papers and, based on the actual costs plus the prevailing interest rate and pursuant to our agreement and professional standards, assist Fortune Gas to actively defend our professional standpoint.

- We have prudently investigated and reviewed the information on CBM development provided by the Company/Fortune Gas with reference to the relevant technical report. However, we did not engage any expert to provide professional advice. We have no reason to doubt the truthfulness and accuracy of the information provided to us, and we are advised that there is no omission of substantial factor in the information provided.

- In addition, we did not conduct any land measurement or soil survey on the relevant land parcel for plant area. Our valuation takes no consideration of any land pollution that might have occurred during the past usage. However, in case of pollution in the subject land parcel or any neighbouring land or other event affecting Fortune Gas's operations, we have the right to amend this valuation report.

14. VALUATION CONCLUSION

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of China Gas, Fortune Gas or CBRE HK Limited.

Based on the valuation methodology adopted, we are of the opinion that the fair value of 100% equity interests of Fortune Gas Investment Holdings Ltd, as at 31 July 2012, is RMB2,737,061,000 (equivalent to approximately HK$3,393,955,640).

We are of the opinion that the valuation result as at the current date would not be materially different from the valuation result as at the Valuation Date.

We hereby declare that we have no potential interest in Fortune Gas, the Company, or the value reported.

For and on behalf of

CBRE HK Limited

Alex PW Leung

Business Valuer of Hong Kong
Business Valuation Forum
MRICS MHKIS RPS(GP)
Senior Director
Business and Financial Instruments
Valuation & Advisory Services
Greater China

Notes: Mr. Alex PW Leung, MRICS, MHKIS, RPS(GP), is a registered business valuer of Hong Kong Business Valuation Forum. He possesses of over 8 years' experience in the business and financial instruments valuation.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE GAS INVESTMENT HOLDINGS LIMITED

TO THE DIRECTORS OF CHINA GAS HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by CBRE HK Ltd dated 22 January 2013, of the entire issued share capital of Fortune Gas Investment Holdings Limited as at 31 July 2012 (the "Valuation") is based. Fortune Gas Investment Holdings Limited is a company incorporated in Hong Kong whose principal assets are the investments in subsidiaries. Its subsidiaries are engaged in the business of natural gas, wholesale and retail distributions, natural gas refuelling, upstream coal bed methane business, liquefied natural gas supply to public transit vehicles and developing liquefied natural gas dual fuel vessel refuelling business along the Yangtze River. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in a circular dated 22 January 2013 to be issued by China Gas Holdings Limited (the "Company") in connection with the acquisition of the entire issued share capital of Fortune Gas Investment Holdings Limited (the "Circular").

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the reasonableness and validity of the assumptions, as set out in appendix I of the Circular (the "Assumptions"), based on which the discounted future estimated cash flows and the Valuation are prepared.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Fortune Gas Investment Holdings Limited.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 January 2013

Letter from PricewaterhouseCoopers Corporate Finance Limited

pwc 羅兵咸永道

22 January 2013

The Board of Directors
China Gas Holdings Limited
16/F AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

Re: Cashflow Forecasts in Connection with the Valuation of Fortune Gas Investment Holdings Limited

We refer to the discounted cash flow forecasts (the "Forecasts") underlying the valuation prepared by CBRE HK Limited (the "Valuer") in relation to the fair value of 100% equity interest of Fortune Gas Investment Holdings Limited ("Fortune Gas") as at 31 July 2012 (the "Valuation"). The Valuation report dated 22 January 2013 is included in Appendix I to the circular of the Company dated 22 January 2013 (the "Circular") of which this letter forms part.

Fortune Gas is an investment holding company. Investments made by Fortune Gas in China cover three business segments, namely city gas, CBM and LNG refueling. On 16 December 2012, the Company entered into the Share Purchase Agreement, pursuant to which the Company through a wholly owned subsidiary has conditionally agreed to acquire the entire issued share capital of Fortune Gas from the Sellers for a total consideration of US$400 million. We understand that the consideration for the Acquisition was agreed between the Purchaser and the Sellers after arm's length negotiations with reference to a valuation report of Fortune Gas prepared by the Valuer.

The Valuation, which has been arrived at using the discounted cash flow method is based on the Forecasts provided by the management of the Company. We have been engaged solely for the purpose of reporting to you under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and for no other purpose. We are not reporting on the arithmetical calculations of the Forecasts or the Valuation, nor the adoption of accounting policies thereof. Our work does not constitute any valuation of Fortune Gas. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We have discussed with the management of the Company and the Valuer the information and documents provided by the Company and Fortune Gas. We understand such information and documents form part of the bases and assumptions upon which the Forecasts have been prepared and for which you as the Directors are solely responsible. The Forecasts are based on a number of bases and assumptions pertaining to the businesses of Fortune Gas. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of Fortune Gas may or may not achieve as expected and the variation may be material.

We have also considered the letter from Deloitte Touche Tohmatsu ("DTT") dated 22 January 2013 addressed to yourselves as set out in Appendix II to the Circular regarding the calculations upon which the Forecasts have been made. We have noted that no accounting policies of the Company have been adopted in your preparation of the Forecasts as the Valuation relates only to discounted future estimated cash flows.

On the basis of the foregoing, we are of the opinion that the Forecasts, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
PricewaterhouseCoopers Corporate Finance Limited

Spencer Tse
Director

1. BIOGRAPHICAL DETAILS OF MR. HO YEUNG

Mr. Ho, aged 57, since 1999, has been a senior executive at a leading high-tech software company in China and has held the post of executive director of a renowned real estate company in China for over the past seven years. Since 1994, Mr. Ho has been on the board of members of the council at the China Association for the Promotion of Investment.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Ho but he is entitled to a director's fee as may be approved by the Board of the Company with reference to his roles and responsibilities and the prevailing market conditions. Currently, Mr. Ho, as an independent non-executive director, is entitled to a director's fee in the amount of HK$300,000 annually and he is not entitled to any bonus payment. Mr. Ho has no designated length of service but he is subject to retirement by rotation and re-election in accordance with the Bye-laws.

As as the Latest Practicable Date, Mr. Ho has not held any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. He does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Ho does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor any other matter needs to be brought to the attention of the shareholders of the Company.

2. BIOGRAPHICAL DETAILS OF MS. CHEN YANYAN

Ms. Chen, aged 49, is currently an economist, senior political engineer, and an expert in Logistics and Supply Chain Management Specialty of Expert Database of Science and Technology Expert Committee of Shenzhen Municipal Government. Ms. Chen is also a research fellow of the Chinese Logistics Society and a representative of the 11th Women's Congress of Guangdong Province.

Ms. Chen is currently an independent director of Shenzhen Hangsheng Electronics Co., Ltd. and two public companies listed on the SZSE, i.e. Shenzhen Woer Heat- Shrinkable Material Co. Ltd. (SZSE Stock Code: 2130) and Shenzhen Mason Technologies Co., Ltd. (SZSE Stock Code: 2654). Ms. Chen received 'Second Prize of Technological Progress by the China Federation of Logistic and Purchasing' twice in 2008 and 2009.

As at the Latest Practicable Date, there is no service contract between the Company but she is entitled to a director's fee as may be approved by the Board with reference to her roles and responsibilities and the prevailing market conditions. Currently, Ms. Chen, as an independent non-executive director, is entitled to a director's fee in the amount of HK$300,000 annually and she is not entitled to any bonus payment. Ms. Chen has no designated length of service but she is subject to retirement by rotation and re-election in accordance with the Bye-laws.

Saved as disclosed in this circular, Ms. Chen has not held any directorship in any other publicly listed companies, whether in Hong Kong or overseas, during the last three years. Ms. Chen does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Chen also does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Saved as disclosed in this circular, the Company is not aware of other information in relation to the appointment of Ms. Chen which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (x) of the Listing Rules or any other matter that needs to be brought to the attention of the shareholders of the Company.

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 enquiries, 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.

1. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

(a) Interest of Directors and Chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are 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 they were taken or deemed to have under such provisions of the SFO), or are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

	Number of Shares & Nature of Interest					
Name of Directors	Personal Interest	Corporate Interest	Deemed Interest	Number of Share options	Aggregate interest	Approximate percentage (%)[1]
Mr. Liu[2]	209,104,000	419,478,000	207,968,000	100,000,000[3]	936,550,000	20.50
Ms. WONG Sin Yue, Cynthia	1,000,000	–	–	3,000,000[4]	4,000,000	0.09
Mr. LEUNG Wing Cheong, Eric	2,622,000	–	–	11,000,000[5]	13,622,000	0.30
Mr. PANG Yingxue	400,000	–	–	–	400,000	0.01
Mr. ZHU Weiwei	–	–	–	8,000,000[6]	8,000,000	0.18
Mr. MA Jinlong	–	–	–	4,000,000[4]	4,000,000	0.09
Mr. FENG Zhuozhi	–	–	–	3,000,000[4]	3,000,000	0.07
Mr. Jo YAMAGATA	–	–	–	3,000,000[4]	3,000,000	0.07
Mr. ZHAO Yuhua	–	–	–	3,000,000[4]	3,000,000	0.07
Dr. MAO Erwan	–	–	–	3,000,000[4]	3,000,000	0.07

Notes:

1. The percentages shown are rounded to nearest 2 decimal places. Numbers may not added up to 100% due to rounding.

2. According to the relevant forms filed under Part XV Forms and the Rule 22 forms filed jointly by Mr. Liu, CGGL and Fortune Max, as at 30 September 2012, Mr. Liu was deemed to be interested in an aggregate of 836,550,000 Shares, comprising:

   (a) 209,104,000 shares held directly by Mr. Liu;

   (b) 419,478,000 Shares held by CGGL which is owned as to 50% by Joint Coast Alliance Market Development Limited which, in turn, is wholly owned by Mr. Liu;

   (c) 207,968,000 Shares held by Fortune Max. (see notes below for substantial Shareholders); and

   (d) Share options held by Mr. Liu giving the right to subscribe for 100,000,000 Shares.

3. 100,000,000 options were granted to Mr. Liu on 3 August 2009 under the share option scheme adopted on 6 February 2003 (the "**Scheme**") at an exercise price of HK$2.10 with exercise period from 3 August 2011 to 2 August 2014.

4. Options granted on 3 August 2009 in accordance with the Scheme at an exercise price of HK$2.10 with exercise period from 3 August 2011 to 2 August 2014.

5. Three tranches of options were granted under the Scheme to Mr. LEUNG Wing Cheong, Eric before he became a director of the Company: (i) on 20 October 2006, 6,000,000 options at an exercise price of HK$1.50 with exercise period from 20 October 2010 to 19 October 2016; (ii) options on 23 August 2007, 3,000,000 options at an exercise price of HK$2.32 with exercise period from 19 September 2008 to 22 August 2017; and (iii) on 17 September 2009 2,000,000 options at an exercise price of HK$2.60 with exercise period from 17 September 2012 to 16 September 2014.

6. 4,000,000 options were granted on 9 January 2004 in accordance with the Scheme at an exercise price of HK$0.8 with exercise period from 1 September 2004 to 8 January 2014 and 4,000,000 options were granted on 3 August 2009 in accordance with the Scheme at an exercise price of HK$2.10 with exercise period from 3 August 2011 to 2 August 2014.

(b) Interest of substantial Shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or Chief Executives of the Company) who had any interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name	Nature of interest	Number of Shares held/ interested	Approximate percentage (%)[1]
Beijing Enterprises Group Company Limited[2]	Controlled Corporation	889,902,132	19.50
Beijing Enterprises Group (BVI) Company Limited[2]	Beneficial	889,902,132	19.50
Joint Coast Alliance Market Development Limited[3]	Controlled Corporation	627,446,000	13.74
China Gas Group Limited[3 and 4]	Beneficial	627,446,000	13.74
Fortune Max Holdings Limited[3, 4 and 5]	Beneficial	627,446,000	13.74
First Level Holdings Limited[5]	Controlled Corporation	627,446,000	13.74
Fortune Oil PLC[3 and 5]	Controlled Corporation	627,446,000	13.74
Mr. Chiu Tat Jung, Daniel[5]	Controlled Corporation	627,446,000	13.74
SK C&C Co., Ltd.	Controlled Corporation	687,603,000	15.05
SK Holdings Co., Ltd.	Controlled Corporation	687,603,000	15.05
SK E&S Co., Ltd.	Controlled Corporation	687,603,000	15.05

Notes:

1. The percentages shown are rounded to nearest 2 decimal places. Numbers may not added up to 100% due to rounding.

2. According to Part XV of the SFO ("**Part XV Forms**") filed by Beijing Enterprises Group Company Limited and Beijing Enterprises Group (BVI) Company Limited, as at 11 July 2012, Beijing Enterprises Group Company Limited was deemed to be interested in 889,902,132 Shares beneficially owned by Beijing Enterprises Group (BVI) Company Limited.

3. Joint Coast Alliance Market Development Limited ("**Joint Coast**") was deemed to be interested in the 419,478,000 Shares beneficially owned by China Gas Group Limited ("**CGGL**") by virtue of an agreement under section 317(1)(a) of the SFO. CGGL is owned as to 50% by Joint Coast which, in turn, is wholly owned by Mr. Liu.

   According to the Part XV Forms and relevant forms under Rule 22 of the Code on Takeovers and Mergers ("**Rule 22 forms**") filed by CGGL, CGGL was deemed to be interested in a further 207,968,000 Shares held by Fortune Max Holdings Limited ("**Fortune Max**"), by virtue of an agreement between Fortune Max, CGGL and Mr. Liu to exercise certain rights in respect of their Shares in conjunction with one another. Given their respective relationship with CGGL, each of Mr. Liu and Joint Coast was also deemed to be interested in a total of 627,446,000 Shares and CGGL was deemed to be interested in a total of 627,446,000 Shares.

4. According to the relevant forms filed under Part XV Forms and the Rule 22 forms filed jointly by Mr. Liu, CGGL and Fortune Max, as at 30 September 2012, Mr. Liu was deemed to be interested in an aggregate of 836,550,000 Shares, comprising:

   (a) 209,104,000 shares held directly by Mr. Liu;

(b) 419,478,000 Shares held by CGGL which is owned as to 50% by Joint Coast Alliance Market Development Limited which, in turn, is wholly owned by Mr. Liu; and

(c) 207,968,000 Shares held by Fortune Max. (see Note 3 above)

5. According to Part XV forms filed by Mr. Chiu Tat Jung Daniel ("**Mr. Chiu**"), First Level Holdings Limited ("**First Level**"), Fortune Oil PLC and Fortune Max, as at 7 June 2012 and the relevant Rule 22 Forms, as at 30 September 2012, Mr. CHIU was deemed to be interested in an aggregate of 627,446,000 Shares, comprising:

(a) 419,478,000 Shares beneficially owned by CGGL. CGGL is owned as to 50% by Fortune Oil PRC Holdings Limited. Fortune Oil PRC Holdings Limited is wholly owned by Fortune Oil PLC. Fortune Oil PLC is owned as to 36.51% by First Level which, in turn, is owned as to 99% by Mr. CHIU; and

(b) 207,968,000 Shares beneficially owned by Fortune Max. Fortune Max is wholly owned by Mr. Chiu. In addition, the Part XV form filed by Fortune Max notes that Fortune Max was interested in the 419,478,000 Shares beneficially owned by CGGL by virtue of an agreement under section 317(1)(a) of the SFO.

6. According to Part XV forms filed by SK C&C Co., Ltd ("**SK C&C**"), SK Holdings Co., Ltd ("**SK Holdings**") and SK E&S Co., Ltd ("**SK E&S**"), as at 21 November 2012, each of Mr. Chey Taewon ("**Mr. Chey**"), SK C&C, SK Holdings and SK E&S is deemed to be interested in a total of 687,603,000 Shares, comprising:

(a) 614,595,000 Shares beneficially owned by SK E&S. SK E&S is owned as to 94.13% by SK Holdings. SK Holdings is owned as to 36.92% by SK C&C, which, in turn, is owned as to 40.00% by Mr. Chey; and

(b) 73,008,000 Shares held by Pusan City Gas Co., Ltd ("**Pusan City Gas**"). Pusan City Gas is owned as to 43.99% by SK E&S.

To the best of the knowledge of SK E&S, SK Gas Co., Ltd ("**SK Gas**") separately held 98,459,000 Shares. SK Gas is a subsidiary of SK Chemicals Ltd ("**SK Chemicals**"), a company listed on the Korean Stock Exchange. As of 31 December 2011, SK Chemicals' largest single Shareholder was Mr. Chey Changwon. Apart from Mr. Chey's 3.1% interest in the preferred non-voting shares of SK Chemicals (0.4% of the total issued share capital), neither Mr. Chey nor any companies controlled by him have any interest in SK Chemicals or SK Gas nor is there any agreement or understanding, formal or informal, between (i) Mr. Chey or SK E&S and (ii) SK Chemicals, SK Gas or Mr. Chey Changwon to cooperate to obtain or consolidate control of the Shares.

As at the Latest Practicable Date, Mr. Liu was a director of CGGL. Other than this, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares 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.

2. SERVICE CONTRACTS

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

3. 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 31 March 2012, being the date to which the latest published audited financial statements of the Group have been made up.

4. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been since 31 March 2012, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. MATERIAL INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

7. EXPERT

(a) The following are the qualifications of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
ING Bank N.V.	A registered institution under the Securities and Futures Ordinance, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
CBRE HK Ltd	A qualified valuer

(b) As at the Latest Practicable Date, the above experts did not have any 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 and it had no interest, either directly or indirectly, in any assets which have been, since 31 March 2012 (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 or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) On the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports and reference to their names in the form and context in which they appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following agreements will be available for inspection at the Company's principal place of business, Room 1601, 16th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong during normal business hours (public holidays excepted) from the date of this circular up to and including the date of the SGM:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 49 of this circular;

(c) the valuation report by the Valuer, the text of which is set out on pages 50 to 64 of this circular;

(d) the letter from Deloitte Touche Tohmatsu in relation to the valuation report, the text of which is set out on pages 65 to 66 of this circular;

(e) the letter from the Financial Adviser in relation to the forecast underlying the valuation, the text of which is set out on pages 67 to 68 of this circular; and

(f) the Share Purchase Agreement.

9. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

CHINA GAS
中國燃氣

CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of China Gas Holdings Limited (the "**Company**") will be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 8 February 2013 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions. Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 22 January 2013 (the "**Circular**"):

ORDINARY RESOLUTIONS

1. **"THAT:**

   (a) the Acquisition and the transactions contemplated under the Share Purchase Agreement (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification), be and hereby approved, confirmed and ratified; and

   (b) any one of the directors of the Company be and hereby authorized to do all such acts and things and to sign all documents and to take any steps which in their absolute discretion considered to be necessary, desirable or expedient for the purpose of implementing and/or giving effect to the Acquisition and the transactions contemplated under the Share Purchase Agreement."

2. **"THAT:**

subject to completion of the Share Purchase Agreement, to the fulfilment of the conditions relating to the allotment of the Consideration Shares and to the Directors approving the issue of the Consideration Shares and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares, the Directors be and are hereby specifically authorised to allot and issue the Consideration Shares, credited as fully paid, to the Sellers or their respective nominees in accordance with the terms and conditions of the Share Purchase Agreement."

* *For identification purposes only*

3. "THAT:

Mr. Ho Yeung be and is hereby re-elected as an independent non-executive director of the Company with immediate effect."

4. "THAT:

Ms. Chen Yanyan be and is hereby re-elected as an independent non-executive director of the Company with immediate effect."

By order of the Board
China Gas Holdings Limited
NG Yuk Yee, Feona
Company Secretary

Hong Kong, 22 January 2013

Head office and principal Place of Business in Hong Kong:
Room 1601
16th Floor
AXA Centre
151 Gloucester Road
Wan Chai
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. Any member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of more than one Share, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy for use in connection with the SGM is enclosed with the Circular. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

3. The register of members of the Company will be closed from 6 February 2013 (Wednesday) to 8 February 2013 (Friday) (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the identity of the shareholders entitled to attend and vote at the SGM. In order to qualify for attending and voting at the SGM to be held on 8 February 2013 (Friday), all transfers of Shares accompanied by the relevant share certificates and transfer forms, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 February 2013 (Tuesday).

4. Where there are joint holders of any Shares, any one of such joint holders may vote at the meeting personally or by proxy in respect of such shares as if he was solely entitled thereto provided that if more than one of such joint holders be present at the meeting personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

5. As of the date of this notice, Mr. LIU Ming Hui, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. ZHU Weiwei and Mr. MA Jinlong are the executive Directors; Mr. FENG Zhuozhi, Mr. Jo YAMAGATA, Mr. P. K. JAIN and Mr. MOON Duk Kyu (his alternate being Mr. KIM Yong Joong) are the non-executive Directors; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan are the independent non-executive Directors.