



18th JUNE 2007

FORTUNE OIL PLC
(“Fortune Oil” or “the Company”)

Acquisition of Major LNG and CNG Business

Fortune Oil is pleased to announce a major step forward in creating an integrated gas business in China by acquiring a Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG) production and distribution enterprise, to be renamed as Fortune Green Energy (Henan) Development Company Limited (“Green Energy”).

Key acquisition highlights:

- Fortune Oil will invest in new shares totalling 51 per cent of Green Energy, which operates China’s first commercial LNG liquefaction plant, CNG stations and a fleet of LNG/CNG distribution vehicles.
- Fortune Oil will provide RMB 71.4 million (£4.7 million) of new equity to Green Energy in cash in return for the new shares and will also provide a loan to Green Energy of RMB 74.3 million (£4.9 million). The funds will be drawn from the loan facility signed in April 2007.
- The funds will be used to finance new investments and to repay a RMB 90 million (£6 million) loan to Sinopec.
- Green Energy is one of the most significant centres of excellence for LNG technology in China. For Fortune Oil this acquisition seals a major aspect of the technology and resource required to develop a gas distribution network in the world’s second largest energy industry.

Prior to Fortune Oil’s acquisition Green Energy was called Henan Zhongyuan Green Energy Hi-Tech Co. Ltd. and was owned by its employees as a result of a recent privatisation from Sinopec. After Fortune Oil’s 51 per cent investment Green Energy will be a sino-foreign joint venture with a minority 49 per cent held by the 491 staff. These shareholders will be represented on the board of Green Energy by two directors who had been instrumental in developing this LNG business in Sinopec, Mr Zhang Kong Ming (Chairman) and Mr Xie Xin (previous General Manager). Fortune Oil will appoint three directors to the board and it is expected that Green Energy will be treated as a subsidiary of the Company for accounting purposes.

Green Energy is based at Puyang in Sinopec’s Zhongyuan oil and gas field in Henan Province. The LNG production plant was constructed by Sinopec at Puyang in 2002 and it was the first commercial LNG production plant operating in China. The LNG is delivered by specialised road tankers to LNG storage tanks at end users in cities such as Beijing and Qufu, where Fortune Oil first delivered LNG from

Puyang in 2004. Green Energy currently owns a fleet of 18 LNG and CNG distribution trucks.

The LNG production plant has a design capacity of 55 million cubic metres per year which is expected to be achieved after installation of new compressors in July 2007. Green Energy also sells 34 million cubic metres per year of CNG from its eight stations that supply natural gas fuel to a local user base of 5,000 buses and taxis. Green Energy has investments in another three CNG stations and plans to develop further CNG stations in the Puyang area.

As a result of the employee privatisation from Sinopec, Green Energy benefits from many government and Sinopec incentives, for example relating to taxation and land rights. Sinopec has provided commitments on gas supply to Green Energy from the Zhongyuan field that will enable the company to expand both its LNG and CNG sales in the coming years. The employees have committed significant financial support to Green Energy, demonstrating their confidence in the future of their LNG technologies in China.

Fortune Oil expects that the existing assets of Green Energy will generate an annual net profit of £1-2 million in the initial years and that the acquisition will be earnings enhancing in 2007. Prior to the forthcoming increase in LNG production capacity the LNG plant had been operating at a small loss because of the low throughput. The pro forma gross assets of Green Energy were RMB 223 million (£14.8 million) at end December 2006 and turnover for the year to December 2006 was RMB 144 million (£9.6 million) based on PRC accounting standards. Fortune Oil plans to refinance its shareholder loan via local bank financing in order to increase equity returns.

Green Energy has unique skills in China to design and implement gas distribution technologies, given its background as Sinopec's LNG base. Green Energy has already been providing technical assistance in the development of other LNG liquefaction plants now operating or under construction in China. These plants enable gas to be trucked to end-users that are not otherwise accessible by pipeline. As more independent gas fields are developed, for example at Fortune Oil's Liulin coal bed methane block, there will be an increasing demand for small-scale LNG plants to monetise the gas.

Mr Qian Benyuan, Chairman of Fortune Oil, commented:

"This is a major step for Fortune Oil, acquiring not only assets to produce and distribute LNG and CNG, but also acquiring the best LNG expertise in China. For many of China's recent gas developments such as coal bed methane, LNG offers the most economic way of transporting gas to end-users, as it will be many years before the country's pipeline infrastructure can be fully developed. Green Energy's assets and expertise fit very well with our coal bed methane and gas distribution companies as we create China's first independent integrated gas company."

Annual General Meeting

Fortune Oil will be holding its AGM in London on Tuesday 19th June at 11 am at Oriental Club, Stratford House, Stratford Place, London W1C 1ES. The Company is pleased to report that its operations are progressing well as summarised in the 2006 Annual Report and look forward to meeting shareholders at the AGM.

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