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## **CHINESE PEOPLE GAS HOLDINGS COMPANY LIMITED**

**中民燃氣控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 681)

### **DISCLOSEABLE TRANSACTION**

### **– ACQUISITION OF 99% EQUITY INTEREST IN CHONGQING TONG NAN TONGFA GAS CO. LTD.**

The board of Directors announces that on 1 August, 2005, the Vendor and the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Contract whereby the Purchaser agreed to acquire a 99% equity interest in Chongqing Tong Nan from the Vendor at a consideration of RMB12,954,500 (approximately HK\$12,456,250).

The Directors consider that the terms of the Equity Transfer Contract, which were concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and the Equity Transfer Contract is in the interests of the Company and its shareholders as a whole.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

#### **A. THE EQUITY TRANSFER CONTRACT**

**Date:** 1 August, 2005

**Parties:**

- (i) the Vendor (an Independent Third Party)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor is a third party independent of the Company and any connected person of the Company, and not a connected person of the Company.

- (ii) the Purchaser (a wholly-owned subsidiary of the Company)

**Transfer of equity interests**

Pursuant to the Equity Transfer Contract, the Purchaser agreed to acquire a 99% equity interest in Chongqing Tong Nan from the Vendor at the consideration of RMB12,954,500 (approximately HK\$12,456,250).

The consideration for the Acquisition was determined by commercial negotiations between the parties on an arm's length basis having regard to the audited net asset value of Chongqing Tong Nan of approximately RMB10,616,000 (approximately HK\$10,208,000) as at 31 December 2004 (based on the audited accounts of Chongqing Tong Nan prepared in accordance with the accounting principles generally accepted in the PRC). The consideration for the Acquisition represents a premium of approximately 23.26% to the amount of approximately RMB10,510,000 (approximately HK\$10,106,000), representing 99% (being the equity interest in Chongqing Tong Nan being acquired by the Purchaser under the Acquisition) of the audited net asset value of Chongqing Tong Nan as at 31st December, 2004 (based on the audited accounts of Chongqing Tong Nan prepared in accordance with the accounting principles generally accepted in the PRC). Pursuant to the Equity Transfer Contract, the consideration for the Acquisition is payable in cash by the Purchaser within 30 days from the date of the Equity Transfer Contract. There is no condition precedent and long stop date in relation to the Acquisition. The payment for the consideration will be funded by the Group partly out of existing internal cash resources and partly by bank borrowings and/or other means of financing to be arranged which the Group may consider to be appropriate for this purpose.

Following the Acquisition, Chongqing Tong Nan will be accounted for in the Group's financial results as a subsidiary of the Company.

### Information on Chongqing Tong Nan

Chongqing Tong Nan was established in the PRC on 25 November 1994 as a PRC domestic company. The registered capital of Chongqing Tong Nan is RMB4,080,004 (approximately HK\$3,923,000). The registered capital has been fully paid up. As at the date of this announcement, the equity interests in Chongqing Tong Nan are owned as to 99% by the Vendor and 1% by a PRC party which is also an Independent Third Party. Such PRC party has agreed to waive its pre-emptive right with respect to the transfer of the relevant equity interests in Chongqing Tong Nan by the Vendor. The Company has no current intention to acquire the remaining interest in Chongqing Tong Nan.

Chongqing Tong Nan is principally engaged in the supply and exploration of natural gas and installation of natural gas connection facilities in the PRC. Chongqing Tong Nan currently supplies piped natural gas to over 8,000 residential premises and 350 commercial and industrial premises in the city of Chongqing. It owns 5 natural gas distribution facilities in the city of Chongqing. The major assets of Chongqing Tong Nan comprise of piped connection network, cash receivables, trade and other receivables whilst the major liabilities of Chongqing Tong Nan are bank borrowings and trade and other payables. The table below sets out certain audited financial information on Chongqing Tong Nan (based on the audited accounts of Chongqing Tong Nan prepared in accordance with the accounting principles generally accepted in the PRC) for the two years ended 31st December, 2004:—

	Year ended		Year ended	
	31st December, 2004		31st December, 2003	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Turnover	7,519	7,230	6,606	6,352
Profit before taxation and extraordinary items	857	824	891	857
Taxation	(150)	(144)	(134)	(129)
Profit after taxation and extraordinary items	707	680	757	728
Net asset value	10,616	10,208	10,510	10,106

## B. REASONS FOR THE ACQUISITION

The Group is principally engaged in the distribution, supply and installation of piped natural gas business in the PRC, and the holding and leasing of properties in the PRC. As mentioned in the announcement of the Company dated 6 August, 2004, since the beginning of 2003, the Company had been exploring new business opportunities which would generate revenue and cash flow and provide a reliable source of income to the Group. The Directors noted that the PRC had historically relied heavily on coal as its primary energy source but the PRC Government in recent years had strongly encouraged the use of other more environmental friendly forms of fuel such as natural gas to combat the pollution and environmental damage caused by coal combustion.

Currently, the Group includes Hong Sen, Long Teng and Yan Ting, which carry out similar types of businesses as Chongqing Tong Nan. The Directors believe that the Acquisition represents an invaluable opportunity for the Group to quicken the pace of its development of this business segment and to allow business synergy of its existing business with the business of Chongqing Tong Nan.

The Directors consider that the terms of the Equity Transfer Contract, which were concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and the Equity Transfer Contract is in the interests of the Company and its shareholders as a whole.

## C. LISTING RULES IMPLICATIONS

Under the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company. A circular containing, among other things, further details of the Acquisition will be despatched to its shareholders as soon as practicable.

### DEFINITIONS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition by the Purchaser from the Vendor of a 99% equity interest in Chongqing Tong Nan pursuant to the terms of the Equity Transfer Contract
“Chongqing Tong Nan”	重慶市潼南縣通發燃氣有限責任公司 (Chongqing Tong Nan Tongfa Gas Co. Ltd.), a limited liability company established in the PRC which is owned as to 99% by the Vendor and 1% by a PRC party which is an Independent Third Party
“Company”	Chinese People Gas Holdings Company Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Contract”	the equity transfer contract entered into between the Vendor and the Purchaser dated 1 August, 2005 relating to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Hong Sen”	Main Zhu City Hong Sen Natural Gas Co., Ltd. (綿竹市紅森天然氣有限責任公司), a limited liability company established in the PRC which is owned as to 99% by the Purchaser and 1% by Yan Ting
“Independent Third Party(ies)”	third party(ies) independent of the Company or any connected persons of the Company and are not connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Teng”	Mian Zhu City Long Teng Gas Installation Co. Ltd. (綿竹市龍騰燃氣安裝有限責任公司), a limited liability company established in the PRC which is owned as to 99% by the Purchaser and 1% by Yan Ting

“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Purchaser”	Beijing Zhong Min Gas Co. Ltd. (北京中民燃氣有限公司), a wholly-owned foreign enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mao Jianping, a PRC citizen and an Independent Third Party
“Yan Ting”	LongXin (YanTing) Natural Gas Co. Ltd. (鹽亭龍興燃氣有限責任公司), a limited liability company established in the PRC which is owned as to 99% by the Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

List of all Directors of the Company as of the date of this announcement:–

*Executive Directors:*

Mr. Xu Ruixin  
 Mr. Liu Jing  
 Mr. Mo Shikang  
 Mr. Zhu Peifeng  
 Mr. Zhang Hesheng  
 Mr. Jin Song  
 Mr. Yan Wing Cheung

*Independent non-executive Directors:*

Mr. Liu Junmin  
 Mr. Tan Qinglian  
 Mr. Wong Shing Kay, Oliver

On behalf of the board of  
**Chinese People Gas Holdings Company Limited**  
**Mo Shikang**  
*Managing and Executive Director*

Hong Kong, 3 August, 2005

\* *For identification purposes only*

*Note: For the purpose of this announcement, the following exchange rate has been used for the conversion of Renminbi into Hong Kong dollars for indication only:*

*RMB104 = HK\$100*

Please also refer to the published version of this announcement in The Standard.