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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 A 70% EQUITY INTEREST IN FU PING NATURAL GAS CO. LTD.

The board of Directors is pleased to announce that on 5 August, 2005, the Equity Transfer Agreement was entered into between the Vendor and the Purchaser (a wholly-owned subsidiary of the Company) pursuant to which the Purchaser agreed to acquire a 70% equity interest in Fu Ping from the Vendor at a consideration of RMB5,291,000 (approximately HK\$5,087,500).

The Directors consider that the terms of the Equity Transfer Agreement, 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 Agreement 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 AGREEMENT

Date: 5 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 Agreement, the Purchaser agreed to acquire a 70% equity interest in Fu Ping from the Vendor at the consideration of RMB5,291,000 (approximately HK\$5,087,500).

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 Fu Ping of approximately RMB10,888,000 (approximately HK\$10,469,000) as at 31 December, 2004 (based on the audited accounts of Fu Ping prepared in accordance with the accounting principles generally accepted in the PRC). The consideration for the Acquisition represents a discount of approximately 30.58% to the amount of approximately RMB7,621,600 (approximately HK\$7,328,500), representing 70% (being the equity interest in Fu Ping being acquired by the Purchaser under the Acquisition) of the audited net asset value of Fu Ping as at 31st December, 2004 (based on the audited accounts of Fu Ping prepared in accordance with the accounting principles generally accepted in the PRC). Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition is payable in cash by the Purchaser within 30 days from the date of the Equity Transfer Agreement. 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, Fu Ping will be accounted for in the Group's financial results as a subsidiary of the Company.

Information on Fu Ping

Fu Ping was established in the PRC on 21 July, 2000 as a PRC domestic company. The registered capital of Fu Ping is RMB10,000,000 (approximately HK\$9,615,000). The registered capital has been fully paid up. As at the date of this announcement, the equity interests in Fu Ping are owned as to 70% by the Vendor, 20% by a PRC party and 10% by another PRC party which are all PRC citizens and Independent Third Parties. Both PRC parties have agreed to waive their respective pre-emptive rights with respect to the transfer of the relevant equity interests in Fu Ping by the Vendor. The Company has no current intention to acquire the remaining interest in Fu Ping.

Fu Ping is principally engaged in the supply of natural gas and installation of natural gas connection facilities in the PRC. Fu Ping currently supplies piped natural gas to over 1,500 residential households in Shaanxi province. The major assets of Fu Ping comprise piped connection network, cash receivables, trade and other receivables whilst the major liabilities of Fu Ping are bank borrowings and trade and other payables. The table below sets out certain audited financial information on Fu Ping (based on the audited accounts of Fu Ping prepared in accordance with the accounting principles generally accepted in the PRC) for the two years ended 31st December, 2004:-

	Year ended 31st December, 2004		Year ended 31st December, 2003	
	RMB'000	HK\$'000	RMB'000	HK\$'000
Turnover	3,034	2,917	1,890	1,817
Loss before and after taxation and extraordinary items	(729)	(701)	(377)	(363)
Net asset value	10,888	10,469	9,982	9,598

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 announcements of the Company dated 6 August, 2004 and 3 August, 2005, 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 Fu Ping. As disclosed in the announcement of the Company dated 3 August, 2005, the Group has agreed to acquire a 99% equity interest in Chongqing Tong Nan Tongfa Gas Co. Ltd. which is also principally engaged in natural gas business. The Acquisition provides an opportunity for the Group to further expand its market share in the natural gas industry which the Directors believe has great growth potential in the future.

The Directors consider that the terms of the Equity Transfer Agreement, 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 Agreement 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 70% equity interest in Fu Ping pursuant to the terms of the Equity Transfer Agreement
“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 Agreement”	the equity transfer agreement entered into between the Vendor and the Purchaser dated 5 August, 2005 relating to the Acquisition
“Fu Ping”	富平縣天然氣有限責任公司 (Fu Ping Natural Gas Co. Ltd.), a limited liability company established in the PRC which is owned as to 70% by the Vendor, 20% by a PRC party and 10% another PRC party, which are all PRC citizens and Independent Third Parties
“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 person 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”	Liu Xuanyu, 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, 5 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.