



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)

ACQUISITION OF A 50% EQUITY INTEREST IN YONGNING BONENG NATURAL GAS CO. LTD.

On 24 August, 2005, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered in the Equity Transfer Agreement pursuant to which the Purchaser has agreed to acquire a 50% equity interest in Boneng from the Vendor at a consideration of RMB3,000,000 (approximately HK\$2,884,615).

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

On 24 August, 2005, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreement pursuant to which the Purchaser has agreed to acquire a 50% equity interest in Boneng from the Vendor at a consideration of RMB3,000,000 (approximately HK\$2,884,615).

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor and its ultimate beneficial owner(s) is a third party independent of the Company and any connected person of the Company and not a connected person of the Company.

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 Boneng of approximately RMB2,223,000 (approximately HK\$2,138,000) as at 31 December, 2004 (based on the audited accounts of Boneng prepared in accordance with the accounting principles generally accepted in the PRC). 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. The Group has made no contractual commitment to contribute any capital to Boneng. Following the Acquisition, Boneng will be accounted for in the Group's financial results as a jointly controlled entity of the Company.

Boneng was established in the PRC on 19 January, 2001 as a PRC domestic company. The registered capital of Boneng is RMB2,000,000 (approximately HK\$1,923,077). The registered capital has been fully paid up. As at the date of this announcement, the equity interests in Boneng are owned as to 65.75% by the Vendor, 11.65% by Lin Fu Quan, 11.8% by Wang Zhi Ping, and 10.8% by Li Guang Xiang, which are Independent Third Parties. The other equity owners of Boneng have agreed to waive their respective pre-emptive rights with respect to the transfer of the relevant equity interests in Boneng by the Vendor. Each of Lin Fu Quan, Wang Zhi Ping and Li Guang Xiang intends to transfer their respective interests in Boneng to the Vendor. Following completion of the relevant transfers, Boneng will be owned as to 50% by the Purchaser and 50% by the Vendor. Boneng is principally engaged in the supply of natural gas, natural gas equipment and facilities in the PRC.

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 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. The Group intends to further expand its market share in the natural gas business which the Directors believe has promising potential.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition by the Purchaser from the Vendor of a 50% equity interest in Boneng 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 24 August, 2005 relating to the Acquisition
“Boneng”	永寧縣博能天然氣有限公司 (Yongning Boneng Natural Gas Co. Ltd.), a limited liability company established in the PRC which is owned as to 65.75% by the Vendor, 11.65%, 11.8% and 10.8% respectively by 3 different PRC individuals, which are Independent Third Parties
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“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”	四川省明聖天然氣有限責任公司(Sichuan Mingsheng Natural Gas Co. Ltd.), an Independent Third Party
“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, 24 August, 2005

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

* *for identification purpose only*

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