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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 -  
INVESTMENT IN A JOINT VENTURE FOR  
PARTICIPATION IN  
PROVISION OF LOTTERY OPERATING  
SYSTEMS AND  
ANCILLARY SERVICES IN THE PRC**

The Board is pleased to announce that on 14 October, 2005, Zhong Min (a wholly owned subsidiary of the Company), Public Welfare Times, Lu Lin and Global Reach entered into the Agreement under which, among other matters, Zhong Min conditionally agreed to make the Capital Contribution to the Joint Venture, which intends to participate in the business of the provision of lottery operating systems (which may include central systems, terminals, other relevant hardware and/or associated software) and ancillary services (which may include maintenance and/or technical support services) in the PRC.

The Group's investment under the Agreement constitutes a discloseable transaction pursuant to 14.06(2) of the Listing Rules. A circular containing further information on the Agreement as required under Rule 14.38 of the Listing Rules will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 October 2005 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 18 October 2005.

## **THE AGREEMENT**

### **Background**

On 14 October, 2005, Zhong Min (a wholly owned subsidiary of the Company), Public Welfare Times, Lu Lin and Global Reach entered into the Agreement under which, among other matters, Zhong Min conditionally agreed to make the Capital Contribution to the Joint Venture, which intends to participate in the business of the provision of lottery operating systems (which may include central systems, terminals, other relevant hardware and/or associated software) and ancillary services (which may include maintenance and/or technical support services) in the PRC.

A summary of the principal terms of the Agreement is set out below.

### **Date**

14 October, 2005

### **Parties**

- a. Zhong Min, a wholly owned subsidiary of the Company
- b. Public Welfare Times
- c. Lu Lin, a PRC citizen
- d. Global Reach

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Public Welfare Times, Lu Lin and Global Reach and their respective ultimate beneficial owners (if applicable) are Independent Third Parties.

### **The Joint Venture and Parties' capital contributions**

The Joint Venture was established in the PRC on 16 March, 2004 as a PRC limited company. It is principally engaged in the provision of internet information services. The registered capital of the Joint Venture is RMB10,000,000 (approximately

HK\$9,615,385) which has been fully paid up. As the Joint Venture was recently established and has not commenced its business, information relating to its turnover and profit is not available. The total asset value of the Joint Venture as at the date of this announcement is approximately RMB10,000,000 (approximately HK\$9,615,385). As at the date of this announcement, the Joint Venture is owned as to 51% by Public Welfare Times and 49% by Lu Lin. Pursuant to the Agreement, each of Zhong Min, Public Welfare Times, Lu Lin and Global Reach will contribute RMB9,000,000 (approximately HK\$8,653,846), RMB3,900,000 (approximately HK\$3,750,000), RMB4,100,000 (approximately HK\$3,942,308) and RMB3,000,000 (approximately HK\$2,884,615), respectively, to the registered capital of the Joint Venture. Each of Zhong Min and Global Reach will also contribute RMB6,000,000 (approximately HK\$5,769,231) and RMB2,000,000 (approximately HK\$1,923,077), respectively, to the Joint Venture as capital reserve. The payment of the Capital Contribution will be paid upon completion of the Agreement and will be funded by internal cash resources of the Group. The relative contributions of Zhong Min, Public Welfare Times, Lu Lin and Global Reach and their respective interests in the Joint Venture upon completion and their obligations to provide capital commitment to the Joint Venture as per the Agreement are as follows (To be provided in cash):

<b>Parties</b>	<b>Amount of registered capital</b>	<b>Percentage of holding</b>	<b>Amount of capital reserve to be contributed</b>
Public Welfare Times	RMB 9 million	30%	—
Lu Lin	RMB 9 million	30%	—
Zhong Min	RMB 9 million	30%	RMB 6 million
Global Reach	RMB 3 million	10%	RMB 2 million

Upon completion of the Capital Increase, the registered capital of the Joint Venture will be increased from RMB10 million (approximately HK\$9,615,385) to RMB 30 million (approximately HK\$28,846,154). The financial results of the Joint Venture will be equity accounted for in the Group's financial statement. The aggregate amount of contributions to the Joint Venture by the Parties was determined with reference to the estimated amount that the Joint Venture will need as working capital to commence and operate the business of providing lottery operating systems and ancillary services in the PRC. The basis of such contribution is based on the Directors' assessment of the business growth potential of the Joint Venture and the Application (see under the section headed "Reasons for and Benefits of the Investment in the Joint Venture" below) made by the Joint Venture to 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre). Further elaboration of the basis of such contribution will be reflected in the circular to be despatched to the shareholders of the Company.

## **Conditions**

Completion of the Agreement is conditional upon all necessary regulatory approvals from the relevant PRC government authorities and the approval of the Application (see under the section headed “Reasons for and Benefits of the Investment in the Joint Venture” below) having been obtained and the execution of certain ancillary agreements including a new joint venture contract and the new articles of association. Certain terms of the new joint venture contract and the articles of association including the board composition and the profit sharing are yet to be determined as at the date of this announcement. Further announcement will be made following the signing of the new joint venture contract and the new articles of association. There is no long stop date provided in the Agreement.

## **REASONS FOR AND BENEFITS OF THE INVESTMENT IN THE JOINT VENTURE**

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. Apart from focusing on the natural gas business, the Directors are of the view that its proposed investment in the Joint Venture provides an exciting opportunity for the Group to diversify its business into the provision of lottery operating systems and ancillary services in the PRC. The Directors understand that online instant lottery in the PRC is controlled by the PRC government authorities and is operated for public welfare purposes. Given the population’s general increased spending power in the country due to the PRC’s improved economy, the lottery market in the PRC is expected to experience rapid growth and to generate substantial demand for the type of lottery operating systems and ancillary services which the Joint Venture intends to provide. The Directors believe that the terms of the Agreement are fair and reasonable and in the interests of the shareholders as a whole.

In September, 2005, the Joint Venture has submitted an application (the “Application”) to 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre), a PRC government authority, for the trial provision of lottery operating systems and ancillary services for online instant lottery in Hainan jointly operated by 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre) and 海南省福利彩票發行中心 (Hainan Welfare Lottery Issuance Centre). Such application may or may not be approved by 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre). The Joint Venture intends to participate in the business of the provision of lottery operating systems and ancillary services in the PRC. The Joint Venture has not determined whether it will consider entering into any other businesses as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

The Group's investment under the Agreement constitutes a discloseable transaction of the Company pursuant to 14.06(2) of the Listing Rules.

A circular containing further details of the Agreement as required under Rule 14.38 of the Listing Rules will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 October 2005 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 18 October 2005.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Agreement”	the conditional capital increase agreement dated 14 October, 2005 entered into among Zhong Min, Lu Lin, Global Reach and Public Welfare Times relating to, among other matters, the increase in the registered capital of the Joint Venture (as amended and supplemented)
“Capital Contribution”	an aggregate amount of RMB15,000,000 to be paid by Zhong Min to the Joint Venture for the purposes of contributing as to RMB9,000,000 for its capital increase, and as to RMB6,000,000 towards its capital reserve
“Capital Increase”	the increase in the registered capital of the Joint Venture under the 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”	directors of the Company
“Global Reach”	Global Reach Investment Corp., an investment holding company incorporated in the British Virgin Islands and an Independent Third Party
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party independent of the Company and any connected person of the Company and not a connected person of the Company
“Joint Venture”	中民在線(北京)科技發展有限公司, a limited company established in the PRC on 16 March, 2004, the registered capital of which following the Capital Increase and the completion of the Agreement will be owned as to 30% by Zhong Min, 30% by Public Welfare Times, 30% by Lu Lin and 10% by Global Reach
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Agreement, meaning Zhong Min, Public Welfare Times, Lu Lin and Global Reach
“PRC”	People’s Republic of China
“Public Welfare Times”	《公益時報》社, a PRC entity and an Independent Third Party whose principal activity is the publication of 《公益時報》 (Public Welfare Times) in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhong Min”	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
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 17 October, 2005

*As at the date of this announcement, the Board comprises seven executive directors are Mr. Xu Ruixin, Mr. Liu Jing, Mr. Mo Shikang, Mr. Zhu Peifeng, Mr. Zhang Hesheng, Mr. Jin Song and Mr. Yan Wing Cheung, and three independent non-executive directors are Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver.*

*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.