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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)

ACQUISITION OF FURTHER EQUITY INTEREST IN AN ASSOCIATED COMPANY FOR PARTICIPATION IN THE PROVISION OF WELFARE LOTTERY OPERATING SYSTEMS IN THE PRC AND COMPLETION OF ORIGINAL INVESTMENT

Reference is made to the announcement of the Company dated 17 February 2006 whereby the Board announced that preliminary negotiations had commenced regarding the Company's possible acquisition of further interest in Zhong Min Zai Xian. On 19 February 2006, Zhong Min entered into an agreement with Global Reach to acquire a further 10% equity interest in Zhong Min Zai Xian from Global Reach for a consideration of RMB3,000,000 (approximately HK\$2,884,615). Upon completion of the Equity Transfer Agreement, Zhong Min will own an aggregate 40% equity interest in Zhong Min Zai Xian.

Reference is also made to an earlier announcement dated 17 October, 2005 and the circular of the Company dated 8 November 2005 relating to the Company's original investment (through a wholly-owned subsidiary) in Zhong Min Zai Xian, a company formed for participation in the provision of welfare lottery operating systems and ancillary services in the PRC. Completion of such investment has taken place on 13 February 2006 and the Group has thereby acquired a 30% equity interest (prior to the completion of the acquisition of further interest referred to above) in Zhong Min Zai Xian.

I. ACQUISITION OF FURTHER INTEREST IN ZHONG MIN ZAI XIAN

Reference is made to the announcement of the Company dated 17 February 2006 whereby the Board announced that preliminary negotiations had commenced regarding the Company's possible acquisition of further interest in Zhong Min Zai Xian. The Board is pleased to announce that a binding agreement has been signed on 19 February 2006.

The Equity Transfer Agreement

Date:	19 February 2006
Parties:	(i) Global Reach, an Independent Third Party (as the vendor); and (ii) Zhong Min, a wholly-owned subsidiary of the Company (as the purchaser).
Subject matter:	10% equity interest in Zhong Ming Zai Xian.
Consideration:	The consideration payable for the acquisition of the Further Equity Interest is RMB3,000,000 (equivalent to approximately HK\$2,884,615). The consideration is determined after arm's length negotiation by reference to the unaudited net asset value of Zhong Min Zai Xian in the amount of RMB38,000,000 as at 31 December 2005 (equivalent to approximately HK\$36,538,462). The consideration shall be payable by Zhong Min to Global Reach in one lump sum within 3 months from the date of signing the Equity Transfer Agreement. The consideration will be funded by internal resources of the Group.
Completion:	Completion shall be unconditional. Upon completion of the Equity Transfer Agreement, Zhong Min will own an aggregate 40% equity interest in Zhong Min Zai Xian.

INFORMATION ON ZHONG MING ZAI XIAN

Zhong Min Zai Xian is a company established in the PRC with limited liability. It is principally engaged in the provision of internet information services. The registered capital of Zhong Min Zai Xian is RMB30,000,000 (approximately HK\$28,846,154). As at the date of this announcement, Zhong Min Zai Xian is owned as to 30% by Zhong Min (see under "Completion of Original Investment in Zhong Min Zai Xian" below for the completion of the acquisition of this 30% equity interest), 10% by Global Reach and 60% by Independent Third Parties. Upon completion of the Equity Transfer Agreement, Zhong Min will own an aggregate 40% equity interest in Zhong Min Zai Xian and Zhong Min Zai Xian's financial results will be equity accounted for in the future financial results of the Group.

The unaudited net asset value of Zhong Min Zai Xian prepared in accordance with PRC accounting standards as at 31 December 2005 was RMB38,000,000 (approximately HK\$28,846,154). As Zhong Min Zai Xian has not commenced its substantial ongoing business operations, information relating to its profits is not available.

REASONS FOR THE FURTHER 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. The Group's investment in the welfare lottery operating systems and ancillary services in the PRC through its investment in Zhong Min Zai Xian was commenced in October 2005. Given that the population's general spending power in the PRC has significantly increased due to the continue economic growth in the PRC, the lottery market in the PRC is expected to experience rapid growth and to generate substantial demand for the type of lottery operating systems which Zhong Min Zai Xian intends to provide. The Directors are of the view that its further investment in Zhong Min Zai Xian provides an exciting opportunity for the Company to increase its stake in this associated company, which will participate in the business of providing welfare lottery operating systems and ancillary services in the PRC. As announced by the Company on 15 February 2006, Zhong Min Zai Xian has agreed to acquire a 50% equity interest in Beijing Bei Ying Si (北京貝英斯), which is not yet completed.

Beijing Bei Ying Si (北京貝英斯) is one of the companies authorized by 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre*) to provide welfare lottery operating systems and ancillary services in the PRC extending to cover a total of 7 provinces in the PRC, being Guangdong, Shanxi, Liaoning, Shaanxi, Henan, Hunan and Fujian. The services include application software development and production of online lottery systems and multi platform wagering systems, integration of online lottery network and network security system solutions. As at 31 December 2005, the unaudited net asset value of Beijing Bei Ying Si (北京貝英斯) was RMB17,160,234 (approximately HK\$16,500,225). For the financial year ended 31 December 2005, the unaudited net profit of Beijing Bei Ying Si (北京貝英斯) was RMB4,140,297 (approximately HK\$3,981,055).

The Directors consider that in addition to the contribution expected from the business currently operated by Beijing Bei Ying Si (北京貝英斯) in which Zhong Min Zai Xian has agreed to take up a 50% equity interest, the business to be operated by Zhong Min Zai Xian itself upon the grant of the approval of the Business Commencement Application will provide an additional stream of revenue source to Zhong Min Zai Xian. The business to be operated by Zhong Min Zai Xian would be mainly focused on the provision of welfare lottery operating systems relating to high frequency lottery whereas the business currently operated by Beijing Bei Ying Si (北京貝英斯) is mainly focused on the provision of welfare lottery application software relating to traditional lottery and online lottery systems (including “風采 2003”). The Directors also believe that the business operated by Beijing Bei Ying Si (北京貝英斯) would provide future technical support to the development of the business to be operated by Zhong Min Zai Xian. The Directors are optimistic that Zhong Min Zai Xian would be able to exploit the development potential and enjoy the economic benefits arising from these two separate but potentially complementary lines of businesses.

II. COMPLETION OF ORIGINAL INVESTMENT IN ZHONG MIN ZAI XIAN

Reference is made to the announcement dated 17 October 2005 and the circular of the Company dated 8 November 2005 relating to the Company's original investment in Zhong Min Zai Xian, a company formed for participation in the provision of welfare lottery operating systems in the PRC.

As disclosed in such announcement and circular, on 14 October 2005, Zhong Min, a wholly-owned subsidiary of the Company, entered into a conditional capital increase agreement with Public Welfare Times, Lu Lin and Global Reach to inject capital into Zhong Min Zai Xian. To the best knowledge of the Directors, Public Welfare Times and Lu Lin are Independent Third Parties. Upon completion of the 2005 Agreement, the registered capital of Zhong Min Zai Xian would be increased from RMB10,000,000 to RMB30,000,000 and Zhong Min Zai Xian would be owned as to 30% by Zhong Min, 10% by Global Reach, 30% by Public Welfares Times and 30% by Lu Lin. Under the 2005 Agreement, completion would be conditional upon the fulfilment or waiver of the following conditions: (i) all necessary regulatory approvals from the relevant PRC government authorities and the approval of the Business Commencement Application having been obtained (the “**Condition I**”), and (ii) the execution of certain ancillary agreements including a new joint venture contract and the new articles of association (the “**Condition II**”).

The new articles of association of Zhong Min Zai Xian were signed on 13 February 2006. According to the new articles of association, the term of Zhong Min Zai Xian is 50 years from 16 March 2004. The board of directors of Zhong Min Zai Xian comprises four directors, of whom two directors are nominated by Zhong Min. The profit (after deduction of the contributions towards the statutory provident fund) will be shared according to the respective equity interest of the equity holders.

It was also stated in the Circular that “If the Business Commencement Application is not approved, the 2005 Agreement will not be completed and the Capital Contribution (as defined therein) will not proceed”. However, the parties to the 2005 Agreement were aware of the exciting opportunities which Zhong Min Zai Xian would be able to enjoy resulting from the agreement entered into by Zhong Min Zai Xian to take up a 50% equity interest in Beijing Bei Ying Si (北京貝英斯) (which was the subject of an announcement of the Company dated 15 February 2006). In order to capture this opportunity and taking into the consideration that regardless of the outcome of the Business Commencement Application made by Zhong Min Zai Xian, it has through its investment in a 50% equity interest in Beijing Bei Ying Si (北京貝英斯) already commenced the business of the provision of welfare lottery operating systems and ancillary services in the PRC through this associated company, the Directors decided to waive Condition I and part of Condition II (in relation to the signing of the joint venture contract) and proceed with completion of the 2005 Agreement on 13 February 2006 (including the Capital Contribution (as defined in the Circular). The Directors consider that such waiver of the conditions (including the wavier of the signing of the joint venture contract) complies with the applicable rules and procedures under the laws of the PRC and would not affect the rights of Zhong Min to become the registered and beneficial owner of the 30% equity interest in Zhong Min Zai Xian. As a result, Zhong Min has become the registered and beneficial owner of 30% equity interest in Zhong Min Zai Xian.

As at the date of this announcement, the Business Commencement Application has not yet been approved and is still being processed under normal application procedures which would require approvals from the China Welfare Lottery Issuance Centre and the Ministry of Finance, respectively. To the best knowledge and information of the Directors, they are not aware of any matter which would jeopardise the approvals of such application.

GENERAL

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement is on normal commercial terms and its terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DEFINITIONS

In this Announcement, unless the context requires otherwise, terms used herein shall have the following meaning:

“2005 Agreement”	the conditional capital increase agreement dated 14 October 2005 entered into by Zhong Min, Public Welfare Times, Lu Lin and Global Reach relating to, among other matters, a proposed capital injection in Zhong Min Zai Xian (as supplemented by an supplemental agreement dated 14 October 2005) (which was defined in the Circular as the “Agreement”);
“Beijing Bei Ying Si”	北京貝英斯科技有限公司 (Beijing Bei Ying Si Co Ltd*), a company incorporated in the PRC and is wholly owned by an Independent Third Parties (please refer to the Company’s announcement dated 15 February 2006 for details of investment by Zhong Min Zai Xian);
“Business Commencement Application”	the application submitted by Zhong Min Zai Xian to 中國福利彩票發行中心 (China Welfare Lottery Issuance Centre*) in September 2005 for the trial provision of lottery operating systems and ancillary services to an online instant high frequency lottery operations located in Hainan, the PRC (which was defined in the Circular as the “Application”);
“Circular”	the circular of the Company dated 8 November 2005 in relation to, among other things, the original investment in Zhong Min Zai Xian;
“Company”	Chinese People Gas Holdings Company Limited, an exempted company incorporated in Bermuda with limited liability, the share of which are listed on the Main Board of the Stock Exchange;
“Equity Transfer Agreement”	an agreement dated 19 February 2006 entered into between Global Reach and Zhong Min in relation to the sale of the Further Equity Interest by Global Reach to Zhong Min;
“Further Equity Interest”	10% equity interest in Zhong Min Zai Xian owned by Global Reach and to be acquired by Zhong Min pursuant to the Equity Transfer Agreement;
“Global Reach”	Global Reach Investment Corp., a 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”	an independent third party not connected with the directors, substantial shareholders and chief executives of the Company or its subsidiaries or any of its respective associates (as defined in the Listing Rules);
“PRC”	the Peoples’ Republic of China (for the purpose of this announcement excluding Macau Special Administrative Region, Hong Kong and Taiwan);
“Public Welfare Times”	《公益時報》社, a PRC entity and an Independent Third Party;

“Zhong Min”

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; and

“Zhong Min Zai Xian”

中民在線(北京)科技發展有限公司, a limited liability company established in the PRC on 16 March 2004 (which was defined in the Circular as the “Joint Venture”).

By Order of the board of
Chinese People Gas Holdings Company Limited
Mo Shikang
Managing and Executive Director

Hong Kong, 20 February 2006

** for identification purposes only*

For the purpose of this announcement, HK\$1.00 is taken to be equal to RMB1.04

At the date of this announcement, the board of directors of the Company comprises seven executive directors, namely, 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, namely, Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Wong Shing Kay, Oliver.

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