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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 51% EQUITY INTEREST IN WEI NAN CITY NATURAL GAS COMPANY

The Board is pleased to announce that on 31 March, 2006, 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 51% equity interest in the Target Company from the Vendor at a provisional consideration of RMB33,000,000 (approximately HK\$31,911,807), which is subject to certain adjustments.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of 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.

INTRODUCTION

The Board is pleased to announce that on 31 March, 2006, 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 51% equity interest in the Target Company from the Vendor at a provisional consideration of RMB33,000,000 (approximately HK\$31,911,807), which is subject to certain adjustments. The Vendor will also procure that the Purchaser will obtain the exclusive right to operate the business of supplying natural gas within the city of Wei Nan in Shaanxi province, the PRC (the “**Business**”).

THE EQUITY TRANSFER CONTRACT

Date: 31 March, 2006

Parties:

- (i) the Vendor (an Independent Third Party) whose principal business is the holding of its investments in Wei Nan City in Shaanxi province, the PRC; and
- (ii) the Purchaser (a wholly-owned subsidiary of the Company)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Consideration

Pursuant to the Equity Transfer Contract, the Purchaser has agreed to acquire a 51% equity interest in the Target Company from the Vendor at the provisional consideration of RMB33,000,000 (approximately HK\$31,911,807), subject to the adjustments (the “**Consideration**”).

The provisional amount of the Consideration was determined by commercial negotiations between the parties on an arm's length basis having regard to the unaudited net asset value of the Target Company of approximately RMB44,986,435 (approximately HK\$43,502,983) as at 31 December 2005 (based on the unaudited accounts of the Target Company prepared in accordance with the accounting principles generally accepted in the PRC) and after considering the right to operate the Business.

The provisional amount of the Consideration represents a premium of approximately 43.83% to the amount of approximately RMB22,943,082 (approximately HK\$22,186,522), representing 51% (being the equity interest which is the subject of the Acquisition) of the unaudited net tangible asset value of the Target Company as at 31 December, 2005. Given the substantial development potential of the natural gas business in the PRC, the Directors believe that the right to operate the Business would justify such a premium.

Adjustment to the Consideration

The Consideration will be adjusted to an amount equal to 51% of the net asset value of the Target Company as at 31 December 2005 and the value of the right to operate the Business, in each case to be determined in accordance with an appraisal by an independent valuers to be appointed by the Company (the "Final Consideration"). There is no upper limit to the Final Consideration (as adjusted).

Pursuant to the Equity Transfer Contract, the Consideration (as adjusted) is payable by the Purchaser in the following manner:

- (i) RMB1,000,000 (approximately HK\$967,024), as deposit and part payment of the Consideration, is payable within 5 business days from the date of the Equity Transfer Contract;
- (ii) an amount representing 15% of the Final Consideration is payable within 30 business days from the date of the Equity Transfer Contract;
- (iii) an amount representing 25% of the Final Consideration is payable within 30 business days from the date of registration of the Purchaser as the holder of the 51% equity interest in the Target Company with the State Administration for Industry and Commerce of the PRC; and
- (iv) the remaining balance of the Final Consideration is payable within 3 months on which the Target Company will have obtained re-registration of title to certain property interests which were previously allocated to the Target Company as state-owned land.

The payment for the Consideration will be funded by the Group out of its existing internal cash resources and/or bank borrowings to be arranged which the Group may consider to be appropriate for this purpose. Following the Acquisition, the Target Company will be accounted for in the Group's financial results as a subsidiary of the Company.

It is provided in the Equity Transfer Contract that the Vendor will also procure that the Purchaser will obtain the exclusive right to operate the business of supplying natural gas within the city of Wei Nan in Shaanxi province, the PRC for a period of 30 years from the date of the Equity Transfer Contract.

Information on the Target Company

The Target Company was established in the PRC in 2003 and is principally engaged in the supply and distribution of natural gas; sales and installation of natural gas connection facilities and related network design in the city of Wei Nan in Shaanxi province, the PRC. The registered capital of the Target Company is RMB32,000,000 (approximately HK\$30,944,783), all of which is fully paid. The Target Company is currently owned as to 51% by the Vendor and 49% by a PRC party which, to the best of the Directors' knowledge, informing and belief having made all reasonable enquiries, is an Independent Third Party.

The Target Company did not engaged in any operations except for the setting up of natural gas distribution network for the years ended 31 December 2004 and 2005, respectively. Such activities would not have any financial impact in the profit and loss accounts of the Target Company during that period. The unaudited net asset value of the Target Company was approximately RMB44,986,435 (approximately HK\$43,502,983) for the years ended 31 December 2004 and 2005, respectively which mainly includes cash, receivables and the construction costs for its natural gas distribution facilities.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the distribution, supply and installation of piped natural gas business in the PRC, the holding and leasing of properties in the PRC and the provision of welfare lottery operating systems and ancillary services. The Directors expect that the natural gas business in the PRC has huge growth potential and believe that natural gas would reduce pollution and act as a reliable energy supplement to shortage of oil supply.

Wei Nan City is located in Shaanxi province, the PRC and has a total population of 5.31 million. The area of 臨渭區 (Lin Wei Qu) where the local government is based and where the Target Company principally operates, has a population of 0.88 million. With a gross domestic product of RMB31.2 billion (approximately HK\$30.2 billion) at 2005 (an increase of 11.7% as compared with 2004) in Wei Nan City, the Board expects that demand of natural gas by commercial and residential consumers in Wei Nan City would continue to grow, which would act as a major revenue source to the Group's business following the Target Company becoming a subsidiary of the Group.

The Directors believe that the Acquisition represents an invaluable opportunity for the Group to quicken the pace of its development in this business segment and to allow business synergy of its existing business with the business of the Target Company.

The Directors (including the independent non-executive directors of the Company) 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 that the Equity Transfer Contract is in the interests of the Company and its shareholders as a whole.

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 51% equity interest in the Target Company pursuant to the terms of the Equity Transfer Contract
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 dated 31 March, 2006 entered into between the Vendor and the Purchaser 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
“Independent Third Party(ies)”	third party(ies) (and its ultimate beneficial owner) who are independent of, and not connected with, the Company or any connected persons of the Company and who 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 foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	渭南市天然氣公司 (Wei Nan City Natural Gas Company*), a limited liability company established in the PRC which is owned as to 51% by the Vendor and 49% by 陝西省天然氣有限責任公司 (Shaanxi Natural Gas Limited Liability Company*) which is an Independent Third Party
“Vendor”	渭南市城市建設總公司 (Wei Nan City Development Company*), a company incorporated in the PRC with limited liability and 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, 4 April, 2006

* *for identification purposes*

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:

RMB103.41 = HK\$100

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