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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 AN EFFECTIVE 70% INTEREST IN A NATURAL GAS BUSINESS AT YANLIANG DISTRICT, XIAN AND FORMATION OF A NEW JOINT VENTURE COMPANY

The Board is pleased to announce that on 8 June, 2006, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Contract with the Vendor, whereby the Purchaser agreed to acquire an effective 70% interest in the Assets from the Vendor at a consideration of RMB42,500,000 (approximately HK\$41,062,802). The Acquisition is effected upon signing of the Contract and thereafter a new JV Company will be established in which the Purchaser will own a 70% equity interest and the Vendor will own a 30% equity interest. Upon completion of the Acquisition, the Assets will be transferred from the Target Company to the JV Company.

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.

THE CONTRACT

Date: 8 June, 2006

Parties:

- (i) the Vendor, the local government in Yanliang District, Xian; 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 enquiries, 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.

Consideration

Pursuant to the Contract, the Purchaser agreed to acquire an effective 70% interest in the Assets from the Vendor at a consideration of RMB42,500,000 (approximately HK\$41,062,802) (the "**Consideration**"). The Consideration was determined by commercial negotiations between the parties on an arm's length basis having regard to the net asset value of the Target Company of RMB60,397,880 (approximately HK\$58,355,440) as at 31 October, 2005 (based on an independent valuation report) and represents a premium of approximately 0.5% to 70% of such net asset value.

The Consideration is payable in cash by the Purchaser within 10 business days after the signing of the Contract.

The payment for the Consideration will be funded by the Group out of existing internal cash resources.

Formation of the JV Company

Pursuant to the Contract, the Purchaser and the Vendor shall within 20 days after full payment of the Consideration arrange for the establishment of the JV Company and the transfer by the Target Company of all of the Assets (including the novation of existing liabilities) to the JV Company. The JV Company will be controlled by the Purchaser and its

principal activities would be the same as the Target Company, which is the sale and distribution of natural gas; design of gas pipeline and related maintenance in the Yanliang District, Xian, Shaanxi province, the PRC.

Upon establishment of the JV Company and the transfer of the Assets to the JV Company, the Target Company will be de-registered, the Vendor will own a 30% equity interest of the JV Company and the JV Company will become a 70% owned subsidiary of the Group holding all the Assets and its assets and liabilities will be consolidated into the financial results of the Group.

Information on the Assets

As the Assets, as defined, are the total assets and liabilities of the Target Company, including its license to operate the natural gas business in Yanliang District, Xian, and comprise of piped connection network, cash receivables, trade and borrowings and trade and other payables, the assets being acquired are principally the total assets, liabilities and the business of the Target Company, which will be run in a limited liability company instead of a state-owned enterprise.

The Target Company was established in the PRC in 1998 as a state-owned enterprise, principally engaged in the sale and distribution of natural gas; design of gas pipeline and related maintenance in the Yanliang District, Xian, Shaanxi province, the PRC.

The audited consolidated net profit before/after taxation and extraordinary items of the Target Company for the two years ended 31 December, 2004 and 31 December, 2005 prepared in accordance with the accounting principles generally accepted in the PRC, were as follows:

	Year ended	
	31.12.2004	31.12.2005
Net profit before taxation and extraordinary items	RMB192,005 (approximately HK\$185,512)	RMB332,553 (approximately HK\$321,307)
Net profit after taxation and extraordinary items	RMB125,343 (approximately HK\$121,104)	RMB222,810 (approximately HK\$215,275)

The unaudited consolidated net asset value of the Target Company as at 31 December, 2005 was RMB38,990,419 (approximately HK\$37,671,902).

Information on Yanliang District, Xian

Yanliang District is an aviation industrial city in the PRC, principally engaged in aircraft designing and manufacturing, flight testing and related scientific research. The district is about 60 kilometers away from the centre of the city of Xian covering an area of approximately 244.4 square kilometers. There are a total of approximately 240,000 residents out of whom 100,000 reside in the urban district. The largest aircraft manufacturer in the PRC, Xian Aircraft Industry (Group) Co. Ltd. and many other enterprises and scientific research institutions are located within the district.

In August 2004, the National Development and Reform Commission of the PRC approved the establishment of Yanliang District as the national aviation high-tech industry base. The base is expected to take three to five years to build. The local government expects that the base, upon completion, will become one of the biggest aviation industry sites in Asia, covering an area of approximately 40 square kilometers which will be divided into four parts with different functions, comprising a flight testing area, a manufacturing area, an aviation training center, and a mixed commercial and residential area. Total infrastructure installation costs to be incurred up to expected completion in 2010 are estimated to amount to approximately RMB2 billion (approximately HK\$1.93 billion) and asset investment costs approximately RMB10 billion (approximately HK\$9.66 billion).

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 will become an important supplement to resolve oil shortage supply in the PRC and would reduce environmental pollution caused by the extraction and exploitation of crude oil.

The Directors expect that due to the continuous development of Yanliang District as one of the national aviation industrial cities in the PRC, the demand of natural gas by industrial users will continue to intensify. As the Directors anticipate that the JV Company can start its business and operation right after the transfer of the Assets, the Directors are hopeful that the Acquisition will bring considerable profit and cashflow to the Group and significant returns to the shareholders of the Company. The Directors also believe that the Acquisition will further enhance the market share of the Group in the natural gas business in the PRC and will provide an excellent opportunity for the Group to grow in this promising business sector.

The Acquisition involves transfer of Assets from a state-owned enterprise to a limited liability company. After consulting with the Company's PRC legal representatives, the Directors are of the view that the Vendor has obtained sufficient approvals from relevant authorities with respect to such transfer. The Directors (including the independent non-executive directors of the Company) consider that the terms of the 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 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, through the JV Company, from the Vendor of the Assets pursuant to the terms of the Contract
“Assets”	the total assets and liabilities of the Target Company, including its license to operate the natural gas business in Yanliang District, Xian (valid for 30 years commencing from the date of establishment of the JV Company covering the whole Yanliang District, Xian) and comprise of piped connection network, cash receivables, trade and borrowings and trade and other payables
“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
“Contract”	the contract dated 8 June, 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
“JV Company”	the new limited liability company to be established in the PRC which shall be owned as to 70% by the Purchaser and 30% by the Vendor
“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”	西安市閩良區天然氣總公司 (Xian Yanliang District Natural Gas Company*), a state-owned enterprise in the PRC which is owned as to 100% by the Vendor

“Vendor”	西安市阎良区人民政府 (Xian Yanliang District People’s Government*), the local government of Yanliang District, Xian
“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, 9 June, 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:

RMB103.5 = HK\$100

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