



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)

ANNOUNCEMENT

ACQUISITION OF A 100% EQUITY INTEREST IN ZHONG MIN LE CAI BY ZHONG MIN ZAI XIAN

The Board hereby announces that on 14 July 2006, Zhong Min Zai Xian (an associated company of the Group) acquired 70% and 30% equity interests in Zhong Min Le Cai from Qiang Sheng and Public Welfare Times, respectively, at nil consideration.

This announcement is made under Rule 13.09 of the Listing Rules.

The Board hereby announces that on 14 July 2006, Zhong Min Zai Xian (an associated company of the Group) acquired 70% and 30% equity interests in Zhong Min Le Cai from Qiang Sheng and Public Welfare Times, respectively, at nil consideration. Following completion of the Acquisition, Zhong Min Zai Xian will own a 100% equity interest in Zhong Min Le Cai. Therefore, Zhong Min Le Cai will become a wholly-owned subsidiary of Zhong Min Zai Xian.

INFORMATION OF ZHONG MIN LE CAI AND ITS VIDEO LOTTERY TERMINAL SYSTEM

Zhong Min Le Cai was incorporated on 28 July 2004 with a registered capital of RMB 30,000,000 (approximately HK\$29,126,214) and a paid up capital of RMB6,000,000 (approximately HK\$5,825,243). As at the date of this announcement, Zhong Min Le Cai is owned as to 70% by Qiang Sheng and 30% by Public Welfare Times and its registered capital has not yet been fully paid. Zhong Min Le Cai is principally engaged in the provision of computer hardware, software and network system for online instant welfare lotteries, and any related ancillary services. At present, Zhong Min Le Cai works jointly with the Welfare Lottery Issuance Center of Hainan Province (海南省福利彩票發行中心*) to introduce a video lottery terminal (“VLT”) system developed by Aristocrat Company of Australia. To take advantage of the characteristics of the lottery market in Hainan Province, Zhong Min Le Cai and the Welfare Lottery Issuance Center of Hainan Province jointly developed several VLT games and system, such as “Lucky Tiger (幸運之虎)”.

The application submitted by the Welfare Lottery Issuance Center of Hainan Province in relation to its cooperation with Zhong Min Le Cai for the sale of video lotteries in Hainan Province on a trial basis has been approved by the China Welfare Lottery Issuance and Management Center (中國福利彩票發行管理中心). According to the China Welfare Lottery Issuance and Management Center, the welfare VLT system to be introduced by Zhong Min Le Cai and the Welfare Lottery Issuance Center of Hainan Province has been tested and the technologies used in this system are safe and reliable, which meet the requirements for launching to the market. The VLT system is prepared to be launched on a trial basis soon”. The relevant onward procedures relating to such trial are in progress.

REASON FOR THE ACQUISITION OF ZHONG MIN LE CAI AND ITS BENEFITS

The Issuance of Chinese lotteries is under the supervision of the Chinese government authorities and is operated for the purposes of public interest. In 2005, the sales of Chinese lotteries exceeded RMB70 billion (approximately HK\$68 billion), representing an increase of 80% from 2004 and ranked as No. 9 in an international market. However, having seriously been affected by illegal privately-run lottery business, Hainan Province recorded sales of lotteries of RMB138 million in 2005, representing only a 7% increase from 2004, and its market share was less than one-tenth of the Hainan Province lottery market. The VLT system to be introduced jointly by the Welfare Lottery Issuance Center of Hainan Province and Zhong Min Le Cai will help direct capitals effectively and efficiently to legally accepted official channels. Therefore, there will be a great potential in the future market.

The application submitted by the Welfare Lottery Issuance Center of Hainan Province in relation to its cooperation with Zhong Min Le Cai for the sale of video lotteries in Hainan Province on a trial basis has been approved by the China Welfare Lottery Issuance and Management Center. As a result, Zhong Min Zai Xian will terminate its business commencement application for VLT system and ancillary services. Acquisition of Zhong Min Le Cai will therefore speed up the actual operating process for Zhong Min Zai Xian’s participation in the VLT system and ancillary services. The aforesaid business, together with the traditional lottery business operated by Beijing Bei Ying Si (北京貝英斯*), will diversify the lottery business of Zhong Min Zai Xian and enable it to take part in the development of the Chinese Welfare lottery market to the greatest extent. Zhong Min Le Cai will share revenue based on the sharing percentage of the relevant rules and regulations of welfare lotteries in the PRC.

Given the potential growth of the Chinese lottery market in future, the Directors believe that the Acquisition will generate sufficient cashflow for Zhong Min Zai Xian, which will in turn contribute to the operating results of the Group.

GENERAL

This announcement is made under Rule 13.09 of the Listing Rules.

DEFINITION

“Acquisition”	acquisition of 70% and 30% equity interests in Zhong Min Le Cai by Zhong Min Zai Xian from Qiang Sheng and Public Welfare Times, respectively
“Beijing Bei Ying Si”	北京貝英斯科技有限公司, a limited liability company incorporated in the PRC and 50% owned by Zhong Min Zai Xian
“Board”	the board of directors of the Company

“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 as at the date of this announcement
“Directors”	the directors of the Company
“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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Public Welfare Times”	《公益時報》社, a PRC legal person
“Qiang Sheng”	強盛控股有限公司, a limited liability company incorporated under the law of the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhong Min Le Cai”	中民樂彩科技有限公司, a sino-foreign equity joint venture established in the PRC. Prior to the Acquisition, Zhong Min Le Cai is owned as to 70% by Qiang Sheng and 30% by Public Welfare Times
“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 and a 40% owned associated company of the Group
“%”	per cent.

The following exchange rate used in this announcement is for reference only:

HK\$100 =RMB 103

List of all Directors of the Company as at 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, 14 July, 2006

* *for identification purposes*

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