



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

FORMATION OF A JOINT VENTURE COMPANY IN HUAIHUA CITY OF HUNAN PROVINCE IN THE PRC

The Board is pleased to announce that on 18 July 2006, Beijing Zhong Min entered into an agreement with Tong Xin Energy whereby the parties agreed to form a JV Company in Huaihua City of Hunan province in the PRC.

The registered capital of the JV Company is RMB18,180,000 (approximately HK\$17,650,485) of which a 55% and a 45% equity interest will be held by Beijing Zhong Min and Tong Xin Energy respectively. After the formation of the JV Company, it will principally engage in the business of installation and supply of natural gas and the sale of liquefied petroleum gas in Huaihua City of Hunan province in the PRC.

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

INTRODUCTION

The Board is pleased to announce that on 18 July 2006, Beijing Zhong Min entered into an agreement with Tong Xin Energy whereby the parties agreed to form a joint venture company in Huaihua City of Hunan province in the PRC.

The registered capital of the JV Company is RMB18,180,000 (approximately HK\$17,650,485) of which a 55% and a 45% equity interest will be held by Beijing Zhong Min and Tong Xin Energy respectively. After the formation of the JV Company, it will principally engage in the business of installation and supply of natural gas and the sale of liquefied petroleum gas in Huaihua City of Hunan province in the PRC.

Date of the Agreement

18 July 2006

Parties

- (i) Beijing Zhong Min (a wholly-owned subsidiary of the Company)
- (ii) Tong Xin Energy (an Independent Third Party)

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Tong Xin Energy and its ultimate beneficial owners are Independent Third Parties.

Registered Capital

According to the terms of the Agreement, the registered capital of the JV Company of RMB18,180,000 (approximately HK\$17,650,485) will be paid in the following manner:

- (i) RMB10,000,000 (approximately HK\$9,708,738) will be paid by Beijing Zhong Min in cash; and
- (ii) RMB8,180,000 (approximately HK\$7,941,748) will be paid by Tong Xin Energy by way of contribution of net assets.

The registered capital to be contributed by Beijing Zhong Min will be financed by the existing internal resources of the Group.

After the formation of the JV Company, the JV Company will engage in the business of installation and supply of natural gas and the sale of liquefied petroleum gas in Huaihua City of Hunan province in the PRC. The JV Company will become a subsidiary of the Company and its accounts will be consolidated into the Group's accounts.

As the net assets to be contributed by Tong Xin Energy are currently being operated by Tong Xin Energy, the parties have agreed that the operating revenue of Tong Xin Energy starting from 1 June 2006 until the JV Company is established will be allocated to and deemed to be the revenue of the JV Company. Following the formation of the JV Company, Tong Xin Energy will cease to carry on any gas related business.

INFORMATION ON HUAIHUA CITY OF HUNAN PROVINCE

Huaihua City is situated in the south-western part of Hunan province near the border between Hunan, Guangxi and Guizhou provinces. Huaihua City is under the jurisdiction of the municipal government. It has a total area of 27,562 square kilometers, representing 13% of the total area of Hunan province, and a population of 5.1 million with 400,000 located in the urban area.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Group is principally engaged in the distribution, supply and installation of piped natural gas business in the PRC and supply of lottery terminal system and related ancillary services.

Due to the remarkable and continuous increase in the urbanization and the living standards of the residents in Huaihua City and their increasing demand for energy, the proposed construction of gas reserve storage by the JV Company will allow Huaihua City to have a constant supply of gas energy. Huaihua City will be the Group's first natural gas project in the central part of the PRC. The Directors believe that Huaihua City being a transport and logistics center will bring opportunities to the expansion of the Group's natural gas business in the PRC and anticipate great potential for the development of the JV Company in the future. The formation of the JV Company will facilitate the Group's further expansion into the gas supply market in the central part of the PRC, thereby assisting the Group to advance its business to the eastern part of the PRC.

The Directors consider that the terms of the Agreement are fair and reasonable based on normal commercial terms and the Agreement is in the interests of the Company and its shareholders as a whole.

DEFINITION

“Agreement”	the agreement dated 18 July 2006 entered into between Tong Xin Energy and Beijing Zhong Min with respect to the formation of the JV Company
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Independent Third Party”	third party independent of and not connected with the Company or any of its directors, substantial shareholders or chief executives, and not a connected person of the Company under the Listing Rules
“JV Company”	懷化中民燃氣有限公司, a joint venture company to be set up in Huaihua City in Hunan province of the PRC. According to the Agreement, the principal business of the JV Company will be the installation and supply of natural gas and the sale of liquefied petroleum gas
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Xin Energy”	懷化同心能源有限公司, a limited liability company established in the PRC, an Independent Third Party the principal business of which is the sale of liquefied petroleum gas
“Beijing Zhong Min”	北京中民燃氣有限公司 (Beijing Zhong Min Gas Co. Ltd.*), a wholly-owned foreign enterprise established in the PRC, and a wholly-owned subsidiary of the Company
“0%”	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, 18 July, 2006

* For identification purposes only

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