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 INVOLVING ISSUE OF NEW SHARES
ACQUISITION OF THE ENTIRE INTEREST IN A COMPANY OPERATING A NATURAL GAS BUSINESS AT FU ZHOU CITY, FUJIAN AND RESUMPTION OF TRADING IN SHARES

The Board is pleased to announce that on 29 September, 2006 (after Stock Exchange trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into two equity interest transfer agreements to acquire from Tian An and Lian Dong their respective 60% and 40% equity interests in the Target Company, at a total consideration of RMB104,320,000 (approximately HK$102,778,325). Upon completion, the Target Company will become a wholly-owned subsidiary of the Company.

On 29 September, 2006 (after Stock Exchange trading hours), the Company also entered into the Management Rights Transfer Agreement with Mr. Ma, an Independent Third Party and a controlling shareholder of Lian Dong, pursuant to which Mr. Ma conditionally agreed to transfer the Management Rights to the Company for a consideration of HK$60,000,000 and, in addition, the Company conditionally agreed to pay Mr. Ma an introduction fee of HK$20,000,000. The aggregate consideration of HK$80,000,000 will be satisfied by the issue and allotment by the Company of 200,000,000 Consideration Shares to Mr. Ma at an issue price of HK$0.40 per Share. Upon issue at completion, the Consideration Shares will represent approximately 6.59% of the existing issued share capital of the Company and approximately 6.18% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Completion of the Tian An Agreement, the Lian Dong Agreement and the Management Rights Transfer Agreement are inter-conditional.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14.06 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.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:32 a.m. on 3 October, 2006 pending the release of this announcement. The Company has applied for a resumption of trading in its shares with effect from 9:30 a.m. on 10 October, 2006.

I. THE TIAN AN AGREEMENT

Date: 29 September, 2006

Parties:

(i) Tian An, which is principally engaged in the business of bowling halls, snookers rooms and gymnasium operations, and in interior and external design; and

(ii) the Purchaser (a wholly-owned subsidiary of the Company), which is principally engaged in the business of sales and distribution of construction materials, household appliances, stationeries, office equipments and textile materials.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Tian An and its beneficial owners is an Independent Third Party. The Company had acquired from Tian An and Ma Chun Sheng (then holder of 45% equity interest in Tian An) their respective 8.8% and 91.2% equity interests in 合肥天安經貿有限公司 (He Fei Tian An Trading Co Ltd*) (being the Purchaser) on 25 September, 2006 (such transaction did not constitute a notifiable transaction under the Listing Rules). It was because the Directors are of the view that using a PRC incorporated domestic company to acquire the Target Company would expediate the administrative process. Upon completion, the Purchaser became a wholly-owned subsidiary of the Company. Save as disclosed herein, Tian An has no prior relationship with the Company and its connected persons. Ma Chun Sheng and Mr. Ma are independent from and not connected with each other.

Conditions

The completion of the Tian An Agreement is conditional upon the completion of the Lian Dong Agreement and the Management Rights Transfer Agreement.

Consideration

Pursuant to the Tian An Agreement, the Purchaser agreed to acquire 60% equity interest in the Target Company from Tian An at a consideration of RMB64,320,000 (approximately HK$63,369,458). Such consideration is payable in cash by the Purchaser to Tian An in the following manner:

(i) RMB26,320,000 (approximately HK$25,931,034) was paid on 30 September, 2006;

(ii) RMB31,000,000 (approximately HK$30,541,872) is payable on or before 20 October, 2006; and

(iii) RMB7,000,000 (approximately HK$6,896,552) being the remaining part of the consideration, is payable on or before 31 October, 2006.

The consideration of RMB64,320,000 (approximately HK$63,369,458) for the 60% equity interest in the Target Company is at a slight premium to the consideration for the 40% equity interest in the Target Company of RMB40,000,000 (approximately HK$39,408,867).

If registration of the 60% equity interest transfer is not completed on or before 25 October, 2006, the payments under (i) and (ii) above shall be returned to the Purchaser without interest. The consideration for the 60% of the equity interest in the Target Company of RMB64,320,000 (approximately HK$63,369,458) was arrived at after arm's length negotiations between Tian An and the Purchaser. The Directors (including the independent non-executive Directors) are of the view that the Tian An Agreement is on normal commercial terms based on the fair value of the Target Company of RMB346,386,600 (approximately HK$341,267,586) as at 31 December, 2005 as appraised, using the discounted income method, by Chengdu Ruifeng Certified Public Value Co Ltd, an independent PRC valuer engaged by the Target Company (the "Business Valuation") and the number of licences currently held by the Target Company to operate a natural gas business in 8 cities within the Fujian provinces and the growth potential of natural gas business in the PRC and that such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Board is aware that the Business Valuation shall be regarded as a profit forecast of the Group under Rule 14.62 of the Listing Rules and the information required thereunder will be contained in the circular to be issued to the shareholders of the Company. Based on the information available to the Directors following the discussions with Tian An, Lian Dong and the board of directors of the Target Company taking into account the growth potential of the business of the Target Company, the number of licences currently held by the Target Company to operate the natural gas business and the prospect of economy of the Fujian province, the Directors are of the view that the Business Valuation has been made after due and careful enquiry.

The payment for the consideration will be funded by the Group out of its existing internal cash resources rasied by the issue of convertible bonds (which were the subject of an announcement dated 8 September, 2005 and 10 May, 2006, respectively).

If either Tian An or the Purchaser defaults in the performance or observance of any of its obligations under the Tian An Agreement (including the non payment of the consideration and the non registration of the equity transfer) which results in the non-completion of the Tian An Agreement, the defaulting party shall pay a termination fee of RMB24,000,000 (approximately HK$23,645,320) to the non-defaulting party.

II. THE LIAN DONG AGREEMENT

Date: 29 September, 2006

Parties:

(i) Lian Dong, which is principally engaged in the production of petrochemical machinery and equipments, chemical products, fuel oil, ferrous metal, nonferrous metal, building materials, textile, household appliances, and related consultation services; 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, each of Lian Dong and its beneficial owners is an Independent Third Party. Lian Dong and its beneficial owners have no prior relationship with the Company and its connected persons.

Conditions

The completion of the Lian Dong Agreement is conditional upon the completion of the Tian An Agreement and the Management Rights Transfer Agreement.

Consideration

Pursuant to the Lian Dong Agreement, the Purchaser agreed to acquire the remaining 40% equity interest in the Target Company from Lian Dong at a consideration of RMB40,000,000 (approximately HK$39,408,867). Such consideration is payable in cash by the Purchaser to Lian Dong in the following manner:

(i) RMB18,000,000 (approximately HK$17,733,990) was paid on 30 September, 2006;

(ii) RMB18,000,000 (approximately HK$17,733,990) is payable on or before 20 October, 2006; and

(iii) RMB4,000,000 (approximately HK$3,940,887) being the remaining part of the consideration, is payable on or before 31 October, 2006.

If registration of the 40% equity interest transfer is not completed on or before 25 October, 2006, the payments under (i) and (ii) above shall be returned to the Purchaser without interest. The consideration for the 40% of the equity interest in the Target Company of RMB40,000,000 (approximately HK$39,408,867) was arrived at after arm's length negotiations between Lian Dong and the Purchaser. The Directors (including the independent non-executive Directors) are of the view that the Lian Dong Agreement is on normal commercial terms based on Business Valuation and the number of licences currently held by the Target Company to operate a natural gas business in 8 cities within the Fujian provinces and the growth potential of natural gas business in the PRC, and that such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Board is aware that the Business Valuation shall be regarded as a profit forecast of the Group under Rule 14.62 of the Listing Rules and the information required thereunder will be contained in the circular to be issued to the shareholders of the Company. Based on the information available to the Directors following the discussions with Tian An, Lian Dong and the board of directors of the Target Company taking into account the growth potential of the business of the Target Company, the number of licences currently held by the Target Company to operate the natural gas business and the prospect of the economy of the Fujian province, the Directors are of the view that the Business Valuation has been made after due and careful enquiry.

The payment for the consideration will be funded by the Group out of its existing internal cash resources rasied by the issue of convertible bonds (which were the subject of an announcement dated 8 September, 2005 and 10 May, 2006, respectively).

If either Lian Dong or the Purchaser defaults in the performance or observance of any of its obligations under the Lian Dong Agreement (including the non payment of the consideration and the non registration of the equity transfer) which results in the non-completion of the Lian Dong Agreement, the defaulting party shall pay a termination fee of RMB16,000,000 (approximately HK$15,763,547) to the non-defaulting party.

As at the date of this announcement, Lian Dong is owned as to 18%, 30% and 52% equity interests by Chen Xiao Rong, Chen Dong Lin and Mr. Ma, respectively. Chen Xiao Run and Chen Dong Lin (each is an Independent Third Party) previously held a combined 60% equity interest in the Target Company which was transferred to Tian An on 21 September, 2006. Save as disclosed herein, Tian An and Lian Dong have no other relationship with each other.

Completion of the Tian An Agreement and the Lian Dong Agreement

Upon completion of the Tian An Agreement and the Lian Dong Agreement which is expected to be on or before 31 October, 2006, the Target Company shall become a wholly-owned subsidiary of the Company and will be consolidated into the accounts of the Group. Completion of the Tian An Agreement, the Lian Dong Agreement and the Management Rights Transfer Agreement are inter-conditional. Completion of the Acquisition is subject to the fulfillment of the requirements under Rule 14.62 of the Listing Rules. If any of the requirements under Rule 14.62 of the Listing Rules are not fulfilled by the Company (including where a letter from the reporting accountants required under Rule 14.62 (2) of the Listing Rules confirming that they have reviewed the accounting policies and calculations used in the Business Valuation cannot be obtained), and accordingly the relevant circular to shareholders of the Company cannot be issued by the Company, on or before 31 October, 2006, the Acquisition will not proceed. If any of the above events occurs, further announcements will be issued by the Company to inform the shareholders of the Company.

III. MANAGEMENT RIGHTS TRANSFER AGREEMENT

Date: 29 September, 2006

Parties:

(i) Mr. Ma, a director of the Target Company, a controlling shareholder of Lian Dong and a general manager of Tian An; and

(ii) the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Ma is an Independent Third Party. Upon completion of the Tian An Agreement and the Lian Dong Agreement, the Target Company will become a wholly-owned subsidiary of the Company and Mr. Ma will become a connected person of the Company pursuant to his continuing directorship in the Target Company. Upon completion, Mr. Ma will not become a director of the Company. There are three directors on the board of the Target Company, namely, Chen Yu, Wang Wai and Mr. Ma. Mr. Ma has no prior relationship with the Company and its connected persons.

Mr. Ma was introduced to the Group's management on or about January 2006. Mr. Ma is experienced in the management and operations of crude oil and related petroleum trading business. Mr. Ma is the founder of Lian Dong in 1994 and became a general manager of the Target Company in 2001. Under his leadership, the operations of the Target Company grew rapidly to cover 8 cities in the Fujian province.

The Management Rights were first granted by Chen Dong Lin and Chen Xiao Run (the then 60% equity holders of the Target Company) to Mr. Ma in 2002. When Tian An acquired the 60% equity interest in the Target Company from Chen Dong Lin and Chen Xiao Run, Tian An entered into a new agreement with Mr. Ma on 21 September, 2006 to acknowledge and confirm that the Management Rights are held by Mr. Ma and that Tian An is obliged to procure any subsequent purchaser of the 60% equity interest to accept and be bound by the terms of the agreement governing the Management Rights.

Conditions

The completion of the Management Rights Transfer Agreement will be subject to (i) the listing of, and permission to deal in, the Consideration Shares being granted by the Listing Committee of the Stock Exchange; and (ii) the completion of the Tian An Agreement and the Lian Dong Agreement.

Consideration

Pursuant to the Management Rights Transfer Agreement, Mr. Ma conditionally agreed to transfer the Management Rights to the Company for a consideration of HK$60,000,000 and, in addition, the Company conditionally agreed to pay to Mr. Ma a sum of HK$20,000,000 being an introduction fee. The aggregate consideration of HK$80,000,000 will be satisfied by the issue and allotment by the Company of the 200,000,000 Consideration Shares to Mr. Ma at an issue price of HK$0.40 per Share upon completion of the Acquisition.

The Directors consider that the aggregate consideration of HK$80,000,000 was arrived at after arm's length negotiations between Mr. Ma and the Company on normal commercial terms and is fair and reasonable to the shareholders of the Company. The Directors are of the view that the transfer of the Management Rights form part and parcel of the entire equity transfer of the Target Company, accordingly they are unable to value the consideration for each of the transfer of the Management Rights and the introduction fee separately from the equity transfer of the Target Company.

The issue price of HK$0.40 for each Consideration Share represents (i) a premium of approximately 5.26 % to the closing price of HK$0.38 per share as quoted on the Stock Exchange on 29 September, 2006, being the latest trading day on the Stock Exchange prior to the suspension in the trading of the Shares pending the issue of this announcement, (ii) a premium of approximately 8.11% to the average closing price of HK$0.37 for the last 5 trading days up to and including 29 September, 2006, and (iii) a premium of approximately 11.11% to the average closing price of HK$0.36 for the last 10 trading days up to and including 29 September, 2006.

The Consideration Shares, when issued and allotted upon completion of the Acquisition, will rank pari passu in all respects with each other and with the existing issued Shares. At completion, the Consideration Shares will represent approximately 6.59% of the existing issued share capital of the Company and (assuming no additional Shares are issued in the interim period) approximately 6.18% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

Details of the shareholding structure of the Company before and after the Acquisition are set out as below:

Name of shareholders	**Number of Shares held before the Acquisition**	**Approximate percentage of the Company's issued share capital**	**Number of Shares held after the Acquisition**	**Approximate percentage of the Company's issued share capital**
Super Win Development Limited ("Super Win")	1,050,798,538	34.60%	1,050,798,538	32.46%
Mr. Ma	–	–	200,000,000	6.18%
Public	1,985,961,408	65.40%	1,985,961,408	61.36%
Total	3,036,759,946	100%	3,236,759,946	100%

Note

Super Win is a wholly-owned subsidiary of Asian Allied Limited. Asian Allied Limited is 42.75% owned by Mr. Mo Shikang (Managing Director), 22.39% owned by Mr. Zhu Peifeng (Deputy Chairman and Executive Director), 22.39% owned by Mr. Zhang Hesheng (Deputy Chairman and Executive Director) and 12.47% owned by Mr. Yuan Yakang (who is not a Director and does not have any management role in the Group).

The Consideration Shares will be issued and allotted pursuant to the General Mandate. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

IV. INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC in 1999 as a limited liability company, with a registered capital of RMB41,330,000 (approximately HK$40,719,212), and is principally engaged in the manufacture of natural gas related equipment; consultation of natural gas related technology; construction and maintenance of gas pipeline, property development, agricultural, industrial, and logistics investments and sales and distribution of construction materials. The Target Company supplies liquefield petroleum gas ("LPG") to the residential users and liquefield natural gas ("LNG") to industrial users, in the Fujian province, the PRC.

The audited net loss 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, are as follows:

	Year ended	
	31.12.2004	**31.12.2005**
Net loss before taxation and extraordinary items	RMB(8,966,893) (approximately HK$8,834,377)	RMB(12,705,962) (approximately HK$12,518,189)
Net loss after taxation and extraordinary items	RMB(9,097,656) (approximately HK$8,963,208)	RMB(12,716,042) (approximately HK$12,528,120)

The audited net asset value of the Target Company as at 31 December, 2005 was RMB23,998,674 (approximately HK$23,644,014).

V. REASONS AND BENEFITS OF THE ACQUISITION

The principal activities of the Group include the distribution and supplies of piped natural gas and the installation of natural gas pipes, and cooperative investigation and exploitation of petroleum and natural gas. The Directors envisage that there is a vast market for natural gas in the PRC and natural gas will become one of the best energy sources in light of its ability to reduce environmental pollution and serve as a supplement to petroleum supplies.

As the Target Company has been operating in the natural gas industry in the Fujian province, the Acquisition provides an invaluable opportunity for the Group to participate in the LNG business and to facilitate the Group's development of its natural gas business in the south-east coastal areas of the PRC.

Fujian province, located in the Southeastern coast of China, has a population of approximately 35 million. Fujian province is one of the most developed provinces in the PRC having a gross domestic product in 2005 of approximately RMB655 billion (approximately HK$645.3 billion) with an increase of 11.3% compared with previous year. As disclosed above, the Target Company supplies LPG to the residential users, and LNG to industrial users, in the Fujian province in the PRC. As LNG is safe, clean, highly-efficient, and cheap to use, the Directors believe that LNG will gradually replace LPG as one of the main energy sources for the residential, industrial and commercial users in the Fujian Province. The Directors are of the view that driven by the continuous economic growth of the Fujian province, the number of residential LNG users and commercial LNG users in the Fujian province will continue to grow and the Acquisition is likely to contribute considerable return to the shareholders of the Company and cashflow to the Group.

As any investment in the Target Company would be subject to the Management Rights, it is necessary for the Group to also enter into the Management Rights Transfer Agreement in order to obtain full benefit of the Acquisition. Given the Group's experience in the operations of the natural gas business in the PRC, the Directors are of the view that the business of the Target Company would provide a synergy to the Group's existing natural gas business and thereby further enhance the potential of the Group's natural gas business in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Tian An Agreement, the Lian Dong Agreement and the Management Rights Transfer Agreement are on normal commercial terms which are reasonable and fair and in the interests of the shareholders of the Company as a whole.

VI. 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.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:32 a.m. on 3 October, 2006 pending the release of this announcement. The Company has applied for a resumption of trading in its shares with effect from 9:30 a.m. on 10 October, 2006.

DEFINITIONS

In this announcement, terms used herein shall have the following meanings:

"Acquisition"	the acquisition by the Purchaser from Tian An and Lian Dong of their respective 60% and 40% equity interests in the Target Company pursuant to the terms of the Tian An Agreement and the Lian Dong Agreement, respectively and the transfer of the Management Rights pursuant to the terms of the Management Rights Transfer Agreement
"associate(s)"	has the meaning ascribed to this term 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
"Consideration Shares"	the 200,000,000 Shares to be issued and allotted by the Company to Mr. Ma at an issue price of HK$0.40 each pursuant to the terms of the Management Rights Transfer Agreement
"Directors"	the directors of the Company
"General Mandate"	the general mandate granted to the Directors by the shareholders of the Company to issue Shares representing not more than 20% of the nominal issued share capital of the Company as at the date of passing of the relevant ordinary resolution at the annual general meeting of the Company held on 3 October, 2006 (which has not been utilized as at the date of this announcement)
"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
"Lian Dong"	福州聯東經濟發展有限公司 (Fu Zhou Lian Dong Economic Development Co. Ltd*), a limited liability company established in the PRC and an Independent Third Party
"Lian Dong Agreement"	the agreement dated 29 September, 2006 entered into between the Purchaser and Lian Dong in relation to the acquisition of 40% equity interest in the Target Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Rights"	the rights to manage the operations of the Target Company (including to implement the decisions of the board, advise on strategic developments and human resources policies, design management system and draft corporate memorandum) for a term of 20 years from 10 August, 2002 and to be entitled to 30% of the distributable profit of the Target Company
"Management Rights Transfer Agreement"	the agreement dated 29 September, 2006 entered into between the Company and Mr. Ma in relation to the transfer of the Management Rights and the payment of an introduction fee for the aggregate consideration of HK$80,000,000
"Mr. Ma"	Mr. Dong Bing Ma, a director of the Target Company and a controlling shareholder of Lian Dong, and an Independent Third Party
"PRC"	the People's Republic of China (for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"Purchaser"	合肥天安經貿有限公司 (He Fei Tian An Trading Co Ltd*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
"Share(s)"	share(s) of HK$0.07 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	福建省安然燃氣投資有限公司 (Fujian Province An Ran Gas Investment Co. Ltd*), a limited liability company incorporated in the PRC which is owned as to 60% by Tian An and 40% by Lian Dong
"Tian An"	合肥天安集團有限公司 (He Fei Tian An Group Co Ltd*), a limited liability company established in the PRC and an Independent Third Party
"Tian An Agreement"	the agreement dated 29 September, 2006 entered into between the Purchaser and Tian An in relation to the acquisition of 60% equity interest in the Target Company
"HK$"	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. Chan Chuk Cheung, Ivan

On behalf of the board of
Chinese People Gas Holdings Company Limited
Mo Shikang
Managing and Executive Director

Hong Kong, 9 October, 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:

RMB101.5 = HK$100

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