

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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**

#### **DISPOSAL OF 51% INTEREST IN DEHUA GUANG AN**

The Board is pleased to announce that on 24 October 2007, the Seller (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Seller agreed to dispose of its 51% interest in Dehua Guang An to the Purchaser at a consideration of RMB28,600,000 (approximately HK\$29,458,000), which shall be paid in cash.

The Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Disposal will be despatched to the shareholders of the Company as soon as practicable.

#### **INTRODUCTION**

The Board is pleased to announce that on 24 October 2007, the Seller (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Seller agreed to dispose 51% interest in Dehua Guang An to the Purchaser at a consideration of RMB28,600,000 (approximately HK\$29,458,000), which shall be paid in cash.

The Disposal constitutes a discloseable transaction on the part the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Disposal will be despatched to the shareholders of the Company as soon as practicable.

#### **THE DISPOSAL**

##### **Date**

24 October 2007

##### **Parties**

Seller: Fujian An Ran, a wholly-owned subsidiary of the Company; and

Purchaser: Quanzhou Gas

To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, the Purchaser and its beneficial owner are third parties independent of the Company and any of its connected persons and are not connected persons of the Company. The Purchaser is principally engaged in the gas business in Quanzhou, the PRC. The Group does not have any previous transaction or business relationship with Quanzhou Gas and/or its beneficial owners which may require aggregate under Rule 14.22 of the Listing Rules.

### **Assets to be disposed**

The assets to be disposed by the Seller are the 51% interest in Dehua Guang An.

### **Consideration**

Pursuant to the Equity Transfer Agreement, the Seller agreed to dispose 51% interest in Dehua Guang An to the Purchaser at the Consideration of RMB28,600,000 (approximately HK\$29,458,000) of Dehua Guang An, which is arrived at after arm's length negotiations between the parties thereto on the basis of the net assets value of approximately RMB29,080,000 (approximately HK\$29,952,000) valued by an independent valuer in the PRC and audited by a certified accountant in the PRC. The Purchaser has paid a deposit of RMB6,000,000 (approximately HK\$6,180,000) as part of the Consideration to the Seller.

It is expected that the Group will record a consolidated loss of approximately HK\$3,969,000 on the Disposal based on the net assets value of Dehua Guang An at 30 September 2007 and corresponding goodwill of HK\$26,959,000 and HK\$19,678,000 respectively as disclosed in the books of the Group.

### **Terms of Payment**

Pursuant to the Equity Transfer Agreement, the Consideration shall be paid by the Purchaser in cash by three installments:

- (i) The deposit of RMB6,000,000 (approximately HK\$6,180,000) has been paid by the Purchaser as the first installment of the Consideration;
- (ii) The Purchaser shall pay RMB17,200,000 (approximately HK\$17,716,000) to the Seller within three business days upon execution of the Equity Transfer Agreement; and
- (iii) the Purchaser shall make an one-off payment of the remaining Consideration of RMB5,400,000 (approximately HK\$ 5,562,000) to the Seller within seven days after the registration of changes relating to equity transfer of Dehua Guang An pursuant to the Equity Transfer Agreement with the industrial and commercial registration authorities be completed and the corporate business license be obtained, by the Purchaser with the assistance of the Seller.

Upon completion of the Disposal, the Group will continue to hold 49% interest in Dehua Guang An and Dehua Guang An will become an associate company of the Group, and its results and assets and liabilities will be incorporated in the consolidated financial statements of the Group using the equity method of accounting.

### **INFORMATION ON DEHUA GUANG AN**

Dehua Guang An is an entity established in the PRC in 2003 under the laws of the PRC with a registered capital of RMB20,000,000 (approximately HK\$20,600,000), and is principally engaged in the storage, transmission and distribution, filling and sales of natural gas in Dehua County, Fujian Province. Currently, Dehua Guang An primarily supplies liquefied natural gas to industrial users (mainly ceramic companies) in the areas where it covers.

The net profit of Dehua Guang An before and after taxation and extraordinary items for the financial year ended 31 December 2005 are approximately RMB430,000 (approximately HK\$443,000) and RMB220,000 (approximately HK\$227,000) respectively. The net profit of Dehua Guang An before and after taxation and extraordinary items for the financial year ended 31 December 2006 are approximately RMB9,024,000 (approximately HK\$9,295,000) and RMB5,969,000 (approximately HK\$6,148,000) respectively. These financial figures are calculated based on the PRC financial reporting standards.

## **REASONS FOR THE DISPOSAL AND USE OF PROCEEDS**

The Group is principally engaged in the transmission and distribution, supplies and connection of piped natural gas, as well as investment and supply of video lottery system and equipment in the PRC.

The Directors consider that the Disposal will strengthen the financial position of the Group and increase the Group's working capital. The Directors also consider that it is an appropriate time to realise part of its investment in Dehua Guang An while retaining an associate interest in Dehua Guang An as strategic investment. The Group intends to use the proceeds of RMB28,600,000 (approximately HK\$29,458,000) from the Disposal for investment into other businesses with higher potential profitability and for the Group's general working capital. In this regard, the Company considers that the Disposal will be beneficial to the Company in the long run.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are arrived at between the parties after arm's length negotiations and are under normal commercial terms. The Directors (including the independent non-executive Directors) consider that the Disposal is fair and reasonable and is in the interests of the Company and its shareholders as a whole.

## **GENERAL**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Disposal will be despatched to the shareholders of the Company as soon as practicable.

### **Definitions**

“Board”	the board of Directors
“Company”	Chinese People Gas Holdings Company Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	consideration of RMB28,600,000 (approximately HK\$29,458,000) under the Equity Transfer Agreement
“Dehua Guang An”	德化廣安天然氣有限公司 (Dehua Guang An Natural Gas Company Limited*), an entity established according to the PRC laws
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% interest in Dehua Guang An by Fujian An Ran to Quanzhou Gas pursuant to the terms of Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 24 October 2007 entered into between Fujian An Ran and Quanzhou Gas in relation to the Disposal

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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” or “Quanzhou Gas”	泉州市燃氣有限公司(Quanzhou City Gas Company Limited*), an entity established according to the PRC laws
“Seller” or “Fujian An Ran”	福建省安然燃氣投資有限公司 (Fujian Province An Ran Gas Investment Company Limited*), an entity established according to the PRC laws and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement and for reference only, the following exchange rate has been used:

RMB100 = HK\$ 103

As at the date of this announcement, the Directors of the Company are as follows:

*Executive Directors:*

Mr. Xu Ruixin  
Mr. Liu Jing  
Dr. Mo Shikang  
Mr. Zhu Peifeng  
Mr. Zhang Hesheng  
Mr. Jin Song  
Mr. Wong Ching

*Independent non-executive Directors:*

Mr. Liu Junmin  
Mr. Tan Qinglian  
Mr. Sin Ka Man

By order of the Board  
**CHINESE PEOPLE GAS HOLDINGS COMPANY LIMITED**  
**Dr. Mo Shikang**  
*Managing and Executive Director*

Beijing, 25 October 2007

*\* for identification purpose only*