

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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 HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

CONTINUING CONNECTED TRANSACTION

LNG MASTER SUPPLY AGREEMENT

On 12 December 2018, Xi'an Civigas Haihui, an indirect non wholly-owned subsidiary of the Company, entered into the LNG Master Supply Agreement with Xianyang Haihui, pursuant to which Xianyang Haihui has agreed to supply and Xi'an Civigas Haihui has agreed to purchase LNG commencing for the period from 1 October 2018 and ending 31 March 2021 (both dates inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xianyang Haihui is a shareholder of Xi'an Civigas Haihui holding 49% equity interests in Xi'an Civigas Haihui. Since the total assets, profits and revenue of Xi'an Civigas Haihui represents less than 10% of those of the Group since the establishment of Xi'an Civigas Haihui, Xi'an Civigas Haihui is regarded as an "insignificant subsidiary" of the Company under Rule 14A.09 of the Listing Rules and Xianyang Haihui is not a connected person of the Company. The Company had relied on the insignificant subsidiary exception in respect of the purchase of LNG from Xianyang Haihui for the period from 1 April 2018 (date of commencement of business of Xi'an Civigas Haihui) to 30 September 2018.

Due to the business expansion of Xi'an Civigas Haihui, Xi'an Civigas Haihui will no longer be an insignificant subsidiary of the Company. Accordingly, the Company is no longer able to rely on the insignificant subsidiary exception set out in Rule 14A.09(1) of the Listing Rules.

The highest applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under LNG Master Supply Agreement and the Annual Caps are expected to be more than 5% as set out under Chapter 14A of the Listing Rules, given that: (i) Xianyang Haihui is a connected person of the Company only at the subsidiary level; (ii) the Board has approved the transactions under the LNG Master Supply Agreement; and (iii) having considered the terms of the LNG Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), all the independent non-executive Directors have confirmed that the terms of the transactions under the LNG Master Supply Agreement are fair and reasonable, are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, the transactions under the LNG Master Supply Agreement are therefore exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but are subject to annual review and all other disclosure requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Xi'an Civigas Haihui was established in the PRC on 29 March 2018. As at the date of this announcement, the Group and Xianyang Haihui hold 51% and 49% equity interests in Xi'an Civigas Haihui respectively. Since the total assets, profits and revenue of Xi'an Civigas Haihui represents less than 10% of those of the Group since the establishment of Xi'an Civigas Haihui, Xi'an Civigas Haihui is regarded as an "insignificant subsidiary" of the Company under Rule 14A.09 of the Listing Rules and Xianyang Haihui is not a connected person of the Company. The Group had relied on the insignificant subsidiary exception in respect of the purchase of LNG from Xianyang Haihui for the period from 1 April 2018 (date of commencement of business of Xi'an Civigas Haihui) to 30 September 2018.

Due to the business expansion of Xi'an Civigas Haihui, it is expected that Xi'an Civigas Haihui will no longer be an insignificant subsidiary of the Company.

On 12 December 2018, Xi'an Civigas Haihui entered into the LNG Master Supply Agreement with Xianyang Haihui, pursuant to which Xianyang Haihui has agreed to supply and Xi'an Civigas Haihui has agreed to purchase LNG for a term commencing for the period from 1 October 2018 and ending 31 March 2021 (both dates inclusive).

Principal terms of the LNG Master Supply Agreement:

Date: 12 December 2018

Parties: Xi'an Civigas Haihui; and
Xianyang Haihui

As at the date of this announcement, (i) Xi'an Civigas Haihui is an indirect non wholly-owned subsidiary of the Company; and (ii) Xianyang Haihui is a shareholder of Xi'an Civigas Haihui holding 49% equity interests in Xi'an Civigas Haihui and hence, a connected person of the Company at the subsidiary level.

Term: Pursuant to the LNG Master Supply Agreement, Xianyang Haihui has agreed to supply and Xi'an Civigas Haihui has agreed to purchase LNG commencing for the period from 1 October 2018 and ending 31 March 2021 (both dates inclusive).

According to Rule 14A.52 of the Listing Rules, the period for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules upon expiry of the term of the LNG Master Supply Agreement should the Group decides to continue with such transactions with Xianyang Haihui.

Basis of pricing: The purchase price of LNG shall be agreed by both Xianyang Haihui and Xi'an Civigas Haihui in writing. Pursuant to the LNG Master Supply Agreement, the pricing for the sale and purchase of LNG is to be determined based on the following:

1. the market price of LNG in the PRC; and
2. the purchase price from Xianyang Haihui shall be no less favourable to Xi'an Civigas Haihui than the purchase price from the Independent Third Parties at the same time of similar order quantities.

Under the following circumstances the parties may adjust the selling price by mutual agreement:

1. the market price of LNG changes; or
2. the transportation cost changes.

In such circumstances, Xianyang Haihui shall notify Xi'an Civigas Haihui of the adjustment to the price of LNG in writing and Xi'an Civigas Haihui shall confirm within one working day from the date of issue of written confirmation by Xianyang Haihui.

Payment: Pursuant to the LNG Master Supply Agreement, Xi'an Civigas Haihui shall prepay the purchase price in full for the supply of LNG by Xianyang Haihui.

HISTORICAL AMOUNT AND PROPOSED ANNUAL CAPS

Xi'an Civigas Haihui is a company established on 29 March 2018 in the PRC with limited liability. During the six months ended 30 September 2018, the actual amount of LNG purchased by Xi'an Civigas Haihui from Xianyang Haihui was approximately RMB1,974,000.

The Annual Caps is RMB11,200,000, RMB55,000,000 and RMB67,000,000, respectively for each of the three years ending 31 March 2019, 31 March 2020 and 31 March 2021.

The Annual Caps is determined based on the following:

- (a) the historical transaction amount for the six months ended 30 September 2018;
- (b) the projected increasing demand of LNG by customers of Xi'an Civigas Haihui and the estimated purchase quantity of LNG by Xi'an Civigas Haihui; and
- (c) the current market price of LNG of approximately RMB5,000 per ton.

Should the actual settlement amount exceed the above proposed Annual Caps, the Company will revise the Annual Caps in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE LNG MASTER SUPPLY AGREEMENT

The Group is principally engaged in the sales and distribution of fuel gas including the provision of piped gas, sales and distribution of cylinder gas and production and sales of barrelled drinking water in the PRC.

Xi'an Civigas Haihui is principally engaged in the operation and promotion of natural gas, the design and implementation of and investment in "Coal to Gas" project, natural gas trading, construction of city gas pipeline networks, natural gas transportation and trading in Shaanxi Province, the PRC.

Xianyang Haihui is a company established in the PRC with limited liability and is a comprehensive natural gas operator which focuses on natural gas utilisation and integrates investment in and development of LNG and compressed natural gas (CNG) refilling stations, industrial utilisation of natural gas (Coal to Gas, Oil to Gas) projects, LNG trading and road transportation.

The LNG Master Supply Agreement between Xi'an Civigas Haihui and Xianyang Haihui was entered into by Xi'an Civigas Haihui in the ordinary and usual course of business of the Group. The sale of LNG by Xianyang Haihui to Xi'an Civigas Haihui can provide the Group with a stable and available source of LNG.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Annual Caps have been determined on an arm's length basis and the LNG Master Supply Agreement was entered into normal commercial terms or better in the ordinary and usual course of business of the Company after arm's length negotiation, and the terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the LNG Master Supply Agreement and the transactions contemplated thereunder, and no Director is required to abstain from voting on the Board resolutions to approve the LNG Master Supply Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xianyang Haihui is a shareholder of Xi'an Civigas Haihui holding 49% equity interests in Xi'an Civigas Haihui. Since the total assets, profits and revenue of Xi'an Civigas Haihui represents less than 10% of those of the Group since the establishment of Xi'an Civigas Haihui, Xi'an Civigas Haihui is regarded as an "insignificant subsidiary" of the Company under Rule 14A.09 of the Listing Rules and Xianyang Haihui is not a connected person of the Company. The Company had relied on the insignificant subsidiary exception in respect of the purchase of LNG from Xianyang Haihui and the transactions contemplated thereunder for the period from 1 April 2018 (date of commencement of business of Xi'an Civigas Haihui) to 30 September 2018.

Due to the business expansion of Xi'an Civigas Haihui, Xi'an Civigas Haihui will no longer be an insignificant subsidiary of the Company. Accordingly, the Company is no longer able to rely on the insignificant subsidiary exception set out in Rule 14A.09(1) of the Listing Rules.

The highest applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under LNG Master Supply Agreement and the Annual Caps are expected to be more than 5% as set out under Chapter 14A of the Listing Rules, given that: (i) Xianyang Haihui is a connected person of the Company only at the subsidiary level; (ii) the Board has approved the transactions under the LNG Master Supply Agreement; and (iii) having considered the terms of the LNG Master Supply Agreement and the transactions contemplated thereunder (including the Annual Caps), all the independent non-executive Directors have confirmed that the terms of the transactions under the LNG Master Supply Agreement are fair and reasonable, are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, the transactions under the LNG Master Supply Agreement are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but are subject to annual review and all other disclosure requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Annual Caps”	the annual caps amount of the transactions under the LNG Master Supply Agreement for each of the three years ending 31 March 2019, 31 March 2020 and 31 March 2021
“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as 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
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“insignificant subsidiary”	has the meaning as ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“LNG Master Supply Agreement”	the LNG Master Supply Agreement dated 12 December 2018 entered into between Xi’an Civigas Haihui and Xianyang Haihui, pursuant to which Xianyang Haihui has agreed to supply and Xi’an Civigas Haihui has agreed to purchase LNG for the period from 1 October 2018 and ending 31 March 2021 (both dates inclusive)
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi’an Civigas Haihui”	Xi’an Civigas Haihui New Energy Co., Ltd.* (西安中民海匯新能源有限公司), a company established in the PRC with limited liability and engaged in the operation and promotion of natural gas, the design and implementation of and investment in “Coal to Gas” project, natural gas trading, construction of city gas pipeline networks, natural gas transportation and trading in Shaanxi Province, the PRC and an indirect non wholly-owned subsidiary of the Company
“Xianyang Haihui”	Xianyang Haihui New Energy Co., Ltd.* (咸陽海匯新能源有限公司), a limited liability company established in the PRC and holder of 49% equity interests in Xi’an Civigas Haihui
“%”	per cent

** for identification purpose only*

By order of the Board
Chinese People Holdings Company Limited
Mr. Fan Fangyi
Managing Director and Executive Director

Beijing, 12 December 2018

As at the date of this announcement, the Board comprises five Executive Directors namely, Dr. Mo Shikang (Chairman), Mr. Zhang Hesheng (Deputy Chairman), Mr. Chu Kin Wang Peleus (Deputy Chairman), Mr. Fan Fangyi (Managing Director) and Miss Mo Yunbi and three Independent Non-executive Directors namely, Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man.