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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 31 October 2019, Xi'an Civigas Haihui, an indirect non wholly-owned subsidiary of the Company, entered into the LNG Master Sales Agreement with Xianyang Haihui, pursuant to which Xi'an Civigas Haihui has agreed to supply and Xianyang Haihui has agreed to purchase the LNG commencing for the period from of three years 1 November 2019 and ending 31 October 2022 (both dates inclusive).

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under the LNG Master Sales Agreement and the Annual Caps is 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 Sales Agreement; and (iii) having considered the terms of the LNG Master Sales 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 Sales 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 Sales Agreement are therefore exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and all other disclosure requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 31 October 2019, Xi'an Civigas Haihui, an indirect non wholly-owned subsidiary of the Company, entered into the LNG Master Sales Agreement with Xianyang Haihui, pursuant to which Xi'an Civigas Haihui has agreed to supply and Xianyang Haihui has agreed to purchase LNG commencing for the period of three years from 1 November 2019 and ending 31 October 2022 (both dates inclusive).

Principal terms of the LNG Master Sales Agreement:

Date: 31 October 2019

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 Sales Agreement, Xi'an Civigas Haihui has agreed to supply and Xianyang Haihui has agreed to purchase LNG commencing for the period of three years from 1 November 2019 and ending 31 October 2022 (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 Sales Agreement should the Group decides to continue with such transactions with Xianyang Haihui.

Basis of pricing: The selling price of LNG shall be agreed by both Xi'an Civigas Haihui and Xianyang Haihui in writing. Pursuant to the LNG Master Sales 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 selling price from Xi'an Civigas Haihui shall be no less favourable to Xianyang Haihui than the selling 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, Xi'an Civigas Haihui shall notify Xianyang Haihui of the adjustment to the price of LNG in writing and Xianyang Haihui shall confirm within one working day from the date of issue of written confirmation by Xi'an Civigas Haihui.

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

HISTORICAL TRANSACTION AMOUNT

Xi'an Civigas Haihui is a company established on 29 March 2018 in the PRC with limited liability, the historical transactions amount between Xi'an Civigas Haihui and Xianyang Haihui were as below:

	Sale RMB'000	Purchase RMB'000
For the year ended 31 March 2019		
Purchase of LNG from Xianyang Haihui	-	2,120
Sale of LNG to Xianyang Haihui	1,913	-
For the seven months period ended 31 October 2019		
Purchase of LNG from Xianyang Haihui	-	1,843
Sale of LNG to Xianyang Haihui	10,482	-
	<u>10,482</u>	<u>-</u>

PROPOSED ANNUAL CAPS

	Annual Caps RMB'000
Sale of LNG to Xianyang Haihui	
For the year ending 31 October 2020	65,200
For the year ending 31 October 2021	66,504
For the year ending 31 October 2022	67,834
	<u>67,834</u>

The Annual Caps is determined based on the following:

- the historical transaction volume and amount for the seven months ended 31 October 2019;
- the projected increasing demand of LNG by customers of Xianyang Haihui and the estimated purchase quantity of LNG by Xianyang Haihui; and
- the current market price of LNG of approximately RMB4,000 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 SALES 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 fast moving consumer goods and food ingredients supply 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.

On 12 December 2018, Xi'an Civigas Haihui has 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). Details of which have been disclosed in the Company's announcement dated 12 December 2018.

Xi'an Civigas Haihui has successfully open a LNG purchase account with Shaanxi Yanchang Petroleum (Group) Co., Ltd. ("**Yanchang Petroleum**") after running business for a year. Yanchang Petroleum is one of the four domestic enterprises with oil and natural gas exploration qualifications in the PRC and is also the main supplier of LNG in Shaanxi Province. Xi'an Civigas Haihui may now purchase LNG directly from Yanchang Petroleum and thus the demand of LNG from Xianyang Haihui be reduced.

The gas sources be guaranteed after Xi'an Civigas Haihui obtained supply from Yanchang Petroleum. Xianyang Haihui itself does not set up a LNG purchase account with Yanchang Petroleum. Xianyang Haihui purchases LNG from Xi'an Civigas Haihui may satisfy the demand of LNG from its downstream customers, the LNG Master Sales Agreement entered between Xi'an Civigas Haihui and Xianyang Haihui will expand and increase revenue stream of the Group as well as benefit from the economics of sales for the bulk purchase of LNG from Yanchang Petroleum.

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 Sales 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 Sales 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.

The highest applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under LNG Master Sales 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 Sales Agreement; and (iii) having considered the terms of the LNG Master Sales 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 Sales 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 Sales Agreement are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.101(1) and (2) 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 Sales Agreement for each of the three years ending up to 31 October 2022
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“LNG Master Sales Agreement”	the LNG Master Sales Agreement dated 31 October 2019 entered into between Xi’an Civigas Haihui and Xianyang Haihui, pursuant to which Xi’an Civigas Haihui has agreed to supply and Xianyang Haihui has agreed to purchase LNG for the period of three years from 1 November 2019 and ending 31 October 2022 (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, 31 October 2019

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.