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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)

**MAJOR TRANSACTION  
AND  
RESUMPTION OF TRADING**

**The Agreement**

The Board is pleased to announce that on 13 June 2011, the Company, as a purchaser, entered into the Agreement with the Vendor, as a vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share for a total consideration of HK\$465,226,560, which shall be satisfied by the Company as to (i) HK\$419,838,288.50 by the Company to allot and issue the Consideration Shares to the Vendor credited as fully paid at the Issue Price upon Completion; and (ii) HK\$45,388,271.50 by setting off against the Debt.

The Consideration Shares to be allotted and issued upon Completion represent approximately (i) 42.32% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 29.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

**Implications under the Listing Rules**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the entering of the Agreement exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the transactions contemplated under the Agreement and the financial information of the Target Group will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules. It is currently expected that the circular will be despatched by the Company to the Shareholders on or about 6 July 2011.

**Suspension and resumption of trading**

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 13 June 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 16 June 2011.

**THE AGREEMENT**

**Date:** 13 June 2011

**Parties:** (1) Company, as a purchaser

(2) Vendor, as a vendor

The Vendor is an investment holding company duly incorporated in Hong Kong with limited liability. Messrs. Yang Songsheng and Yeung Paak Ching (“Mr. Yeung”), being the directors and shareholders of the Vendor and brothers, currently holds 7,500,000 shares options and 5,000,000 share options of the Company, respectively, which may be exercisable between 1 December 2010 to 30 November 2013 (both days inclusive), with an exercise price of HK\$0.282. Mr. Yeung also holds 600,000 Shares as at the date of this announcement. Save as disclosed above and to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**Assets to be acquired**

The Sale Share, representing the entire issued share capital of the Target Company as at the date of this announcement.

Upon completion of the sale and purchase of the Sale Share, the Target Company will become a wholly-owned subsidiary of the Company and its financial information will be consolidated into the Group.

**Consideration**

The consideration for the sale and purchase of the Sale Share is HK\$465,226,560, which shall be satisfied by the Company in the following manner:

- (1) HK\$419,838,288.50 shall be satisfied by the Company to allot and issue the Consideration Shares to the Vendor credited as fully paid at the Issue Price upon Completion; and
- (2) HK\$45,388,271.50 shall be satisfied by setting off against the Debt.

The consideration was determined through arm’s length negotiations between the Vendor and the Company and on a commercial basis with reference to (i) the aggregate net asset value of the Target Group; and (ii) the preliminary valuation of Shenzhen Le Cai of RMB645,000,000 performed by an independent valuer on 31 May 2011. The preliminary valuation was based on income approach and discounted cash flow method was adopted for valuation.

The material assumption used in the valuation of Shenzhen Le Cai includes the following:

(1) The setting up of lottery betting branches

It was assumed that the proposed set up of the lottery betting branches in Shenzhen would be carried out on time and smoothly in future. The Target Group aimed to establish four lottery stations for selling Keno Games Lottery and eighty lottery stores for selling Welfare Lottery in Shenzhen during year 2011.

(2) Revenue and rate

It was assumed that the commission rates for the distribution of each of the Keno Games Lottery and the Welfare Lottery would be 7% and 6%, respectively, from the total sales of lottery in Shenzhen.

As the valuation was made on the basis of (i) the current welfare lottery market in the PRC; and (ii) the expected growth of the Target Group in the future, the Directors consider the assumptions in the valuation to be fair and reasonable.

As such, the Directors consider that the terms and conditions of the Agreement to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion shall be conditional upon and subject to:

- (1) the purchaser being satisfied with the results of the due diligence review to be conducted;
- (2) the passing by the Shareholders at the SGM the necessary resolutions to approve the Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares), as required by the Listing Rules;
- (3) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (4) all necessary consents and approvals required to be obtained in respect of the transactions contemplated under the Agreement having been obtained by the Vendor;
- (5) all necessary consents and approvals required to be obtained in respect of the transactions contemplated under the Agreement having been obtained by the Company;
- (6) the warranties provided by the Vendor under the Agreement remaining true and accurate in all respects;
- (7) the obtaining of the legal opinion issued by the a firm of PRC lawyers acceptable to the Company covering the following matters of the PRC laws relevant to the transactions contemplated under the Agreement in such form and substance to the absolute satisfaction of the Company:

- (i) the due and proper establishment and valid existence under the laws of the PRC of Zhongmin Yongheng, Shenzhen Le Cai and Shenzhen Jin Cai;
  - (ii) the obtaining of all necessary consents, licenses and approvals required to be obtained from the relevant PRC governmental and regulatory authorities or agencies in relation to the operation of the business of Zhongmin Yongheng, Shenzhen Le Cai and Shenzhen Jin Cai;
  - (iii) the legality, validity and enforceability of all consents, licenses and approvals in relation to the operation of the business of Zhongmin Yongheng, Shenzhen Le Cai and Shenzhen Jin Cai;
  - (iv) the legality, validity and enforceability of Keno Games Agreement;
  - (v) the legality, validity and enforceability of Lottery Agreement;
  - (vi) any other matters as may be required by the Company; and
- (8) the obtaining of a valuation report (in form and substance satisfactory to the Company) prepared by an independent valuer appointed by the Company in relation to the value of Shenzhen Le Cai of not less than RMB645,000,000.

The above conditions (except conditions (2), (3), (4), (5), (7) and (8)) are capable of being waived by the Company. If the conditions have not been satisfied at 12:00 p.m. on or before 30 September 2011, the Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

### **Completion**

Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfillment of the conditions or such later day as agreed by both parties.

### **Consideration Shares**

The Consideration Shares to be allotted and issued upon Completion represent approximately (i) 42.32% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 29.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares shall rank pari passu in all respects among themselves and with the existing issued Shares as at the date of the allotment.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of HK\$0.243 per Consideration Share represents (i) a premium of approximately 2.1% over the closing price of HK\$0.238 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) the average closing price of HK\$0.243 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 0.41% over the average closing price of HK\$0.244 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) the consolidated net asset value of the Company per Share of approximately HK\$0.243 as shown in the latest audited consolidated financial statements of the Company for the year ended 31 March 2010.

The Consideration Shares are to be issued under a special mandate to be approved by the Shareholders at the SGM.

### **Profit Guarantee and security**

The Vendor guarantees to the Company that the net profits after tax of the Target Group as shown in the audited consolidated financial statement of the Target Group for the period from the date of Completion to 31 March 2013 shall be not less than RMB60,000,000 (the “Profit Guarantee”) and will compensate the Company for any shortfall between the Profit Guarantee and the actual profits after tax as shown in the audited consolidated financial statement of the Target Group.

As a security for the performance of the Profit Guarantee by the Vendor, upon Completion, the Company and the Vendor agreed to charge the 297,654,321 Consideration Shares held by the Vendor. Such share charge shall be released (i) upon the fulfillment of the Profit Guarantee; or (ii) in the event that the Target Group has successfully applied for a new genre of game or developed a new market during the period of the Profit Guarantee and a valuation report (in form and substance satisfactory to the Company) prepared by an independent valuer appointed by the Company in relation to the value of such new genre of game or new market of not less than RMB193,000,000. In the event of an enforcement of such share charge, the Company will appoint placing agent(s) to place the relevant Shares to third parties independent of the Company and its connected persons. Under no circumstance will the Company repurchase any of the relevant Shares.

### **EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

The changes of the shareholding structure of the Company immediately before and after Completion are as follow:

	<b>As at the date of this announcement</b>		<b>Immediately after Completion</b>	
	<i>Number of Shares</i>	<i>Approximate percentage of shareholding (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding (%)</i>
Super Win ( <i>note</i> )	1,000,798,538	24.52	1,000,798,538	17.23
Vendor	-	-	1,727,729,582	29.74
Public Investors	3,081,426,016	75.48	3,081,426,016	53.03
<b>Total</b>	<u>4,082,224,554</u>	<u>100.00</u>	<u>5,809,954,136</u>	<u>100.00</u>

*Note:*

*This represents interests held by Dr. Mo Shikang, a director of the Company, through Asian Allied, which holds 1,000,798,538 Shares registered under Super Win, a wholly-owned subsidiary of Asian Allied. Dr. Mo Shikang has 42.75% interests in Asian Allied, he is therefore deemed to be interested in 1,000,798,538 Shares.*

## **INFORMATION ON THE TARGET GROUP**

The Target Company is an investment holding company duly incorporated in the British Virgin Islands with limited liability.

Zhongmin Yongheng is a company duly established in the PRC with limited liability. Zhongmin Yongheng is principally engaged in investment consultancy, corporate management consultancy and business consultancy. As at the date of this announcement, the Target Company held the entire issued share capital of Zhongmin Yongheng.

Shenzhen Le Cai is a company duly established in the PRC with limited liability. Shenzhen Le Cai is principally engaged in electronic engineering software development, real estate development and management, investment in other entities and projects, research, development and manufacturing of lottery machines, lottery sales and lottery business. As at the date of this announcement, Zhongmin Yongheng held 60% of the registered capital of Shenzhen Le Cai and Beijing Zhongmin, a wholly owned subsidiary of the Company, held 40% of the registered capital of Shenzhen Le Cai.

On 28 December 2010, Shenzhen Le Cai and Shenzhen Welfare Lottery Issuing Centre (深圳市福利彩票發行中心) entered into the Keno Games Agreement pursuant to which Shenzhen Le Cai will be the sole agent to operate and sell Keno Games Lottery in Shenzhen for a operating period of five years. Pursuant to the Keno Games Agreement, the commission receivable by Shenzhen Le Cai for the lottery distribution is 7% of the total amount of lottery sales under Keno Games Lottery, with a bonus rate of 1% on the excess sale amount if the total amount of lottery sales per betting branch exceeds RMB500,000 per month.

On 18 April 2011, Shenzhen Le Cai and Shenzhen Welfare Lottery Issuing Centre (深圳市福利彩票發行中心) entered into the Lottery Agreement pursuant to which Shenzhen Le Cai will set up betting branches to sell the Welfare Lottery in Shenzhen. The commission receivable by Shenzhen Le Cai for the lottery distribution is 6% of the total amount of lottery sales under the Welfare Lottery.

On 11 May 2011, the General Office of the Ministry of Finance of the PRC announced the “Notification in respect of Increasing Proportion of Pay-out for keno welfare lottery in certain locations” 《關於提高部分地方福利彩票快速開獎遊戲返獎比例的通知》 whereby agreeing that China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) is to sell Keno Game Lottery in Shenzhen and the lottery pool is to be divided into pay-out dividend, lottery distribution fee, and lottery charity fund in the proportion of 59%, 13% and 2% respectively.

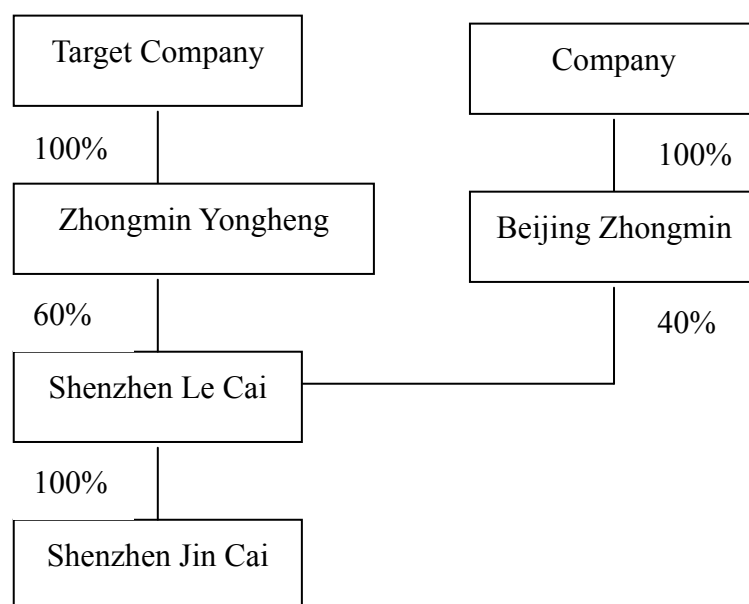
On 1 June 2011, China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) announced the “Approval regarding the Sale of High Pay-out Keno Games Lottery in Shengzhen City, Guangdong Province” 《關於在廣東省深圳市銷售高返獎快速開獎遊戲快樂彩的批復》 whereby agreeing that Guangdong Province Welfare Lottery Issuing Centre (廣東省福利彩票發行中心) is to sell high pay-out Keno Games Lottery in Shenzhen.

Shenzhen Jin Cai is a company duly established in the PRC with limited liability. Shenzhen Jin Cai is principally engaged in computer hardware and software development, marketing, computers, electronic products, technology development and related technical services, network technology development, communication technology development, mobile phone software, communications equipment, software and hardware technology development, communications equipment sales, installation, maintenance and information services business. As at the date of this announcement, Shenzhen Le Cai held the entire registered capital of Shenzhen Jin Cai.

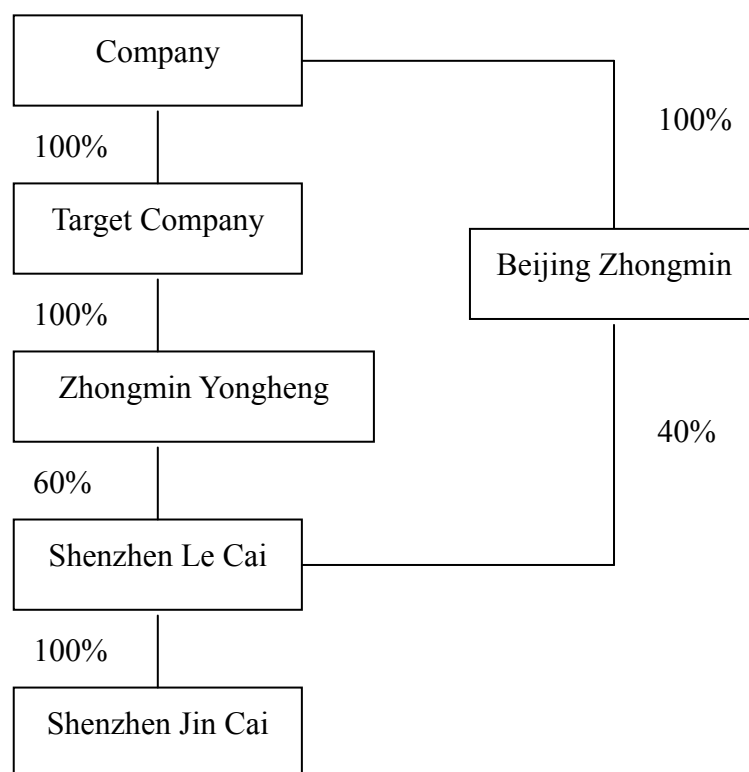
### Shareholder structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

(i) As at the date of this announcement:



(ii) Immediately after Completion:



### Financial information of the Target Group

Set out below is a summary of the key financial data of the Target Group based on the financial statements of each of the members of the Target Group for each of the two years ended 31 March 2011:

#### Target Company

	<b>For the year ended 31 March 2011 (unaudited)</b>	<b>For the year ended 31 March 2010 (audited)</b>
	HK\$	HK\$
Loss before tax	6,480	24,260
Loss after tax	6,480	24,260

#### Zhongmin Yongheng

	<b>For the year ended 31 March 2011 (unaudited)</b>	<b>For the year ended 31 March 2010 (audited)</b>
	RMB	RMB
Loss before tax	915,021	238,286
Loss after tax	915,021	238,286



Shenzhen Le Cai

	<b>For the year ended 31 March 2011 (unaudited) RMB</b>	<b>For the year ended 31 March 2010 (audited) RMB</b>
Loss before tax	8,538,456	5,456,971
Loss after tax	8,538,456	5,456,971

Shenzhen Jin Cai

	<b>From 1 November 2010 (being the date of establishment) to 31 March 2011 (unaudited) RMB</b>
Loss before tax	31,058
Loss after tax	31,058

**REASONS FOR THE ACQUISITION**

The Directors have been identifying further investment opportunities in order to expand its existing business and maximise the return of the Shareholders. The Directors consider that the Acquisition will generate considerable profits and cash flow to the Group in the future and will provide a good return to the Shareholders. The Directors consider the Acquisition represents a good opportunity for the Group to improve its operations and to maximise the return of the Shareholders.

The Group has been proactively identifying suitable investment and business opportunities to enhance the Group's revenue base and profitability. After the Completion, the Company will indirectly own 100% of the registered capital of Shenzhen Le Cai. The Acquisition will provide an exciting opportunity for the Group to launch and further extend its participation in lottery business in the PRC. The revenue generated by welfare lottery in the PRC has increased from approximately RMB75.606 billion in 2009 to approximately RMB96.802 billion in 2010, representing an approximately 28% increase. From January to April 2011, a total of approximately RMB37.737 billion was generated by welfare lottery in the PRC. The Directors are optimistic about the growth of the welfare lottery in the future. The Directors also believe that the Acquisition provides a good opportunity for the Group to further increase its control in Shenzhen Le Cai, which would benefit the setting of overall strategic and development plan of the business of the Group.

Based on the above, the Board is of the view that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the entering of the Agreement exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the transactions contemplated under the Agreement and the financial information of the Target Group will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules. It is currently expected that the circular will be despatched by the Company to the Shareholders on or about 6 July 2011.

## INFORMATION OF THE GROUP

The Group is principally engaged in sales of liquefied petroleum gas; provision of piped gas fuel; construction of gas pipelines; operation of city gas pipeline network; and actively promote lottery agency sales and equipment supply.

## SUSPENSION OF RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 13 June 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 16 June 2011.

## DEFINITIONS

<b>“Acquisition”</b>	the acquisition of the Sale Share by the Company from the Vendor pursuant to the terms and conditions of the Agreement
<b>“Agreement”</b>	the agreement dated 13 June 2011 and entered into between the Company, as a purchaser and the Vendor, as a vendor in respect of the acquisition of the Sale Share by the Company from the Vendor
<b>“Asian Allied”</b>	Asian Allied Limited, a company incorporated in the British Virgin Islands with limited liability
<b>“associates”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Beijing Zhongmin”</b>	北京中民燃氣有限公司 (transliterated as Beijing Zhongmin Gas Company Limited), a company established in the PRC with limited liability
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
<b>“Company”</b>	Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
<b>“Completion”</b>	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Agreement
<b>“connected person(s)”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Consideration”</b>	HK\$465,226,560, being the consideration for the sale and purchase of the Sale Share
<b>“Consideration Shares”</b>	1,727,729,582 new issued Shares falling to be allotted and issued upon Completion to satisfy part of the Consideration

<b>“Debt”</b>	the debt owing by the Vendor to the Company in the total amount of HK\$45,388,271.50
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Issue Price”</b>	the issue price of HK\$0.243 per Consideration Share
<b>“Keno Games Agreement”</b>	the agreement entered into between Shenzhen Le Cai and Shenzhen Welfare Lottery Issuing Centre (深圳市福利彩票發行中心) on 28 December 2010 pursuant to which Shenzhen Le Cai will be the sole agent to operate and sell Keno Games Lottery in Shenzhen
<b>“Keno Games Lottery”</b>	keno games lottery (快樂彩) mentioned in the Keno Games Agreement
<b>“Last Trading Day”</b>	10 June 2011, being the last trading day for the Shares prior to the execution of the Agreement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Lottery Agreement”</b>	the agreement entered into between Shenzhen Le Cai and Shenzhen Welfare Lottery Issuing Centre (深圳市福利彩票發行中心) on 18 April 2011 pursuant to which Shenzhen Le Cai will set up betting branches to sell Welfare Lottery in Shenzhen
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
<b>“Sale Share”</b>	one ordinary share of US\$1.00 in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
<b>“SGM”</b>	the special general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Acquisition and the allotment and issue of the Consideration Shares
<b>“Share(s)”</b>	ordinary issued share(s) of HK\$0.07 each in the capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Shenzhen Jin Cai”</b>	深圳市永恒進彩科技開發有限公司 (transliterated as Shenzhen Yongheng Jin Cai Technology Development Limited), a company established in the PRC with limited liability

“Shenzhen Le Cai”	深圳市永恒樂彩科技有限公司 (transliterated as Shenzhen Yongheng Le Cai Technology Limited), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Win”	Super Win Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Asian Allied
“Target Company”	Grand Destiny Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	together the Target Company, Zhongmin Yongheng, Shenzhen Le Cai and Shenzhen Jin Cai
“Welfare Lottery”	including “深圳風采”(transliterated as Shenzhen Feng Cai), “雙色球”(transliterated as Shuang Se Qiu), “七樂彩”(transliterated as Qi Le Cai), “3D” and other allowed welfare lottery in Shenzhen
“Vendor”	Yongheng Development Corporation Limited, a company incorporated in Hong Kong with limited liability
“Zhongmin Yongheng”	北京中民永恒投資諮詢有限公司 (transliterated as Beijing Zhongmin Yongheng Investment Consultant Limited), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	the lawful currency of The United States of America
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Chinese People Holdings Company Limited**  
**Jin Song**  
*Managing and Executive Director*

Beijing, 15 June 2011

*As at the date of this announcement, the executive Directors are Mr. Xu Ruixin, Dr. Mo Shikang, Mr. Zhang Hesbeng, Mr. Zhu Peifeng, Mr. Jin Song and Mr. Chu Kin Wang Peleus, the independent non-executive Directors are Mr. Liu Junmin, Mr. Tan Qinglian and Mr. Sin Ka Man.*

*For the purposes of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.2055 for the purpose of illustration only. No representation is made that any amount into HK\$ and RMB could have been or could be converted at the above rate or at any other rate.*

*\* for identification purpose only*