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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)

## **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

### **NEW NATURAL GAS SUPPLY AGREEMENT**

Reference is made to the announcement and circular of the Company dated 12 November 2013 and 28 November 2013, respectively, in relation to the Natural Gas Supply Agreement and the Existing Continuing Connected Transactions.

As the Existing Continuing Connected Transactions are expected to continue after the expiration of the Natural Gas Supply Agreement, on 14 December 2016, Xi'an Civigas, a non-wholly owned and indirect subsidiary of the Company, entered into the New Natural Gas Supply Agreement with Shaanxi Natural Gas to renew the Existing Continuing Connected Transactions for a term of three years commencing from 1 January 2017 to 31 December 2019.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shaanxi Natural Gas is a shareholder of Xi'an Civigas holding 40% equity interests in Xi'an Civigas, Shaanxi Natural Gas is a connected person of the Company under Chapter 14A of the Listing Rules, therefore the New Natural Gas Supply Agreement and the transactions contemplated and the Annual Caps Amount constitute continuing connected transactions of the Company under Chapter 14A 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 New Natural Gas Supply Agreement and the Annual Caps Amount are expected to be more than 5% as set out under Chapter 14A of the Listing Rules, while considering the transactions under the New Natural Gas Supply Agreement are transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better, these transactions are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements, if approved by the Board and confirmed by the independent non-executive Directors as required under Rule 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

Reference is made to the announcement and circular of the Company dated 12 November 2013 and the 28 November 2013, respectively, in relation to the Natural Gas Supply Agreement and the Existing Continuing Connected Transactions for three years ending 31 December 2016 between Xi'an Civigas and Shaanxi Natural Gas. On 23 December 2013, the Company obtained approval from the independent shareholders of the Company for the Existing Continuing Connected Transactions and the annual caps amount assigned to the transactions contemplated thereunder.

As the Existing Continuing Connected Transactions are expected to continue after the expiration of the Natural Gas Supply Agreement, on 14 December 2016, Xi'an Civigas, a non-wholly owned and indirect subsidiary of the Company, entered into the New Natural Gas Supply Agreement with Shaanxi Natural Gas to renew the Existing Continuing Connected Transactions for a term of three years commencing from 1 January 2017 to 31 December 2019.

## **BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS**

**Date :** 14 December 2016

**Parties :** Xi'an Civigas; and  
Shaanxi Natural Gas

As at the date of this announcement, Shaanxi Natural Gas is a shareholder of Xi'an Civigas holding 40% equity interests in Xi'an Civigas and hence, a connected person of the Company at the subsidiary level

**Subject :** Pursuant to the New Natural Gas Supply Agreement, Xi'an Civigas has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term of three years commencing from 1 January 2017 until 31 December 2019

**Price :** The basis of determining the prices of the Natural Gas to be purchased by Xi'an Civigas under the New Natural Gas Supply Agreement will be in accordance with the price set by the Shaanxi Provincial Price Bureau

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 New Natural Gas Agreement should the Group decides to continue with such transactions with Shaanxi Natural Gas.

### **The Annual Caps Amount and basis of determination**

The Annual Caps Amount for the transactions for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the New Natural Gas Supply Agreement will be RMB148,205,000, RMB180,260,000 and RMB210,152,000 respectively.

The Annual Caps Amount for the procurement from Shaanxi Natural Gas by Xi'an Civigas is determined with reference to the historical transactional amount and the projected increasing demand for the Natural Gas for the three years ending 31 December 2019.

Xi'an Civigas and Shaanxi Natural Gas had business transactions in previous years. The table below sets out the historical purchase amounts from Shaanxi Natural Gas for the two years ended 31 December 2015 and the nine months ended 30 September 2016 respectively.

#### Aggregate purchase of Natural Gas from Shaanxi Natural Gas:

	Volume (‘000 m <sup>3</sup> )	Amount RMB’000
For the year ended 31 December		
2014	73,136	100,603
2015	81,001	117,687
For the 9 months ended 30 September 2016	59,218	84,424

## **Payment terms**

Advance payment of RMB3,300,000 will be paid to Shaanxi Natural Gas in January 2017. This advance payment will be used to settle the prices of the Natural Gas to be purchased by Xi'an Civigas under the New Natural Gas Supply Agreement.

## **REASONS FOR AND BENEFITS OF THE NEW NATURAL GAS SUPPLY AGREEMENT**

The Group is a natural gas and liquefied petroleum gas services operator in the PRC, principally engaged in the investment, construction and management of city gas pipeline infrastructure, distribution of natural gas and liquefied petroleum gas to residential, industrial and commercial users, production and sale of barreled drinking water in the PRC.

Xi'an Civigas is a company established in the PRC with limited liability and principally engaged in sales and distribution of gas, design of gas pipeline and related maintenance in Xi'an city, Shaanxi Province, the PRC.

Shaanxi Natural Gas is principally engaged in the distribution and pipeline transportation of Natural Gas, the sale of city gas, as well as the operation of gasification projects. It is one of the leading Natural Gas providers in Shaanxi Province and has a dominated position in the Natural Gas industry of the province. Xi'an Civigas engaged Shaanxi Natural Gas for the supply of Natural Gas in Shaanxi Province since 2006. It is the sole supplier of Natural Gas to Xi'an Civigas. Sales and purchase agreements were entered into between both parties in accordance with relevant laws and regulations for the supply of Natural Gas in the PRC. Through purchasing the Natural Gas from Shaanxi Natural Gas, it can stable our supply in the region we serve. In view of the above advantages and that the transactions will be carried out in the ordinary course of business of each party, the parties consider that it is reasonable and beneficial to enter into the New Natural Gas Supply Agreement to govern the continuing connected transactions. Given that the New Natural Gas Supply Agreement is entered into in the usual and ordinary course of business of the Group and the transactions contemplated and the Annual Caps Amount under the New Natural Gas Supply Agreement will be conducted on an arm's length basis, the Directors (including independent non-executive Directors) consider that the terms of the Natural Gas Supply Agreement are fair and reasonable and on normal commercial terms and the entering into of the New Natural Gas Supply Agreement are in the interests of the Group and the Shareholders as a whole.

As none of the Directors have any material interest in the New Natural Gas Supply Agreement and the transactions contemplated thereunder, no Director abstained from voting on the resolutions of the Board approving the New Natural Gas Supply Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shaanxi Natural Gas is a shareholder of Xi'an Civigas holding 40% equity interests in Xi'an Civigas, Shaanxi Natural Gas is a connected person of the Company under Chapter 14A of the Listing Rules, therefore the New Natural Gas Supply Agreement and the transactions contemplated and the Annual Caps Amount constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio of the transactions under New Natural Gas Supply Agreement and the Annual Caps Amount are expected to be more than 5% as set out under Chapter 14A of the Listing Rules, while considering the transactions under the New Natural Gas Supply Agreement are transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better, these transactions are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements, if approved by the Board and confirmed by the independent non-executive Directors as required under Rule 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“the Annual Caps Amount”	: the amount of new annual caps of the Continuing Connected Transactions for the three years ending 31 December 2019
“Board”	: the board of directors of the Company
“Company”	: Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	: has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	: the continuing connected transactions of the Company under the New Natural Gas Supply Agreement
“Director(s)”	: the director(s) of the Company
“Existing Continuing Connected Transactions”	: the continuing connected transactions of the Company under the Natural Gas Supply Agreement
“Group”	: the Company and its subsidiaries
“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange
“m <sup>3</sup> ”	: cubic metre(s)
“Natural Gas”	: a flammable gaseous fuel and an energy source
“Natural Gas Supply Agreement”	the natural gas supply agreement dated 12 November 2013 and entered into between Xi’an Civigas and Shaanxi Natural Gas in relation to the purchase of Natural Gas from Shaanxi Natural Gas by Xi’an Civigas for a term commencing from 1 January 2014 until 31 December 2016
“New Natural Gas Supply Agreement”	: the natural gas supply agreement dated 14 December 2016 and entered into between Xi’an Civigas and Shaanxi Natural Gas in relation to the purchase of Natural Gas from Shaanxi Natural Gas by Xi’an Civigas for a term commencing from 1 January 2016 until 31 December 2019
“PRC”	: the People's Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	: the lawful currency of the PRC
“Shaanxi Natural Gas”	: 陝西省天然氣股份有限公司 (Shaanxi Provincial Natural Gas Co., Ltd.), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange

- “Shares” : ordinary issued share(s) of HK\$0.07 each in the capital of the Company
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Xi’an Civigas” : 西安中民燃氣有限公司 (Xi’an Civigas Co., Ltd.\*), a company established in the PRC with limited liability and principally engaged in sales and distribution of gas, design of gas pipeline and related maintenance in Xi’an city, Shaanxi Province, the PRC and 51% owned subsidiary of the Group
- “%” : percent

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

Beijing, 15 December 2016

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.

*\* For identification purpose only*