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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)

**CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 17 March 2016, Sichuan Civigas, a wholly-owned subsidiary of the Company (as the transferee), entered into the Equity Transfer Agreement with the Transferors, pursuant to which Sichuan Civigas agreed to acquire and the Transferors agreed to sell the entire equity interests in the Target Company at the Consideration of RMB31,700,000.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ren Jun (任俊), the Transferor 1, was a director of 鹽亭中民燃氣有限公司 (Yan Ting Civigas Co., Ltd.[#]) and 北京中聯華安投資有限公司 (Beijing Zhonglian Huanan Investment Co., Ltd.[#]), both wholly-owned subsidiaries of the Company, in the past 12 months and is therefore a connected person at the subsidiary level of the Company. Under Chapter 14A of the Listing Rules, the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

Under Rule 14A.101 of the Listing Rules, as (i) one of the Transferors is a connected person at the subsidiary level of the Company; (ii) the Acquisition is on normal commercial terms; (iii) the Board has approved the Acquisition; and (iv) the Directors (including independent non-executive Directors) have confirmed that the terms of the Acquisition are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempted from the circular, independent financial advice and shareholders' approval requirements.

The Board is pleased to announce that on 17 March 2016, Sichuan Civigas, a wholly-owned subsidiary of the Company (as the transferee), entered into the Equity Transfer Agreement with the Transferors, pursuant to which Sichuan Civigas agreed to acquire and the Transferors agreed to sell the entire equity interests in the Target Company at the Consideration of RMB31,700,000. The relevant key terms and conditions are set out below:

Equity Transfer Agreement

Date

17 March 2016

Parties

- (i) the Transferors; and
- (ii) Sichuan Civigas, as the transferee.

As at the date of this announcement, Mr. Ren Jun (任俊), the Transferor 1, was a director of 鹽亭中民燃氣有限公司 (Yan Ting Civigas Co., Ltd.[#]) and 北京中聯華安投資有限公司 (Beijing Zhonglian Huaan Investment Co., Ltd.[#]), both wholly-owned subsidiaries of the Company, in the past 12 months and is therefore a connected person at the subsidiary level of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Transferors is a third party independent of and not connected with the Company and its connected persons.

Assets to be Acquired

Pursuant to the Equity Transfer Agreement, Sichuan Civigas agreed to acquire and the Transferors agreed to sell the entire equity interests in the Target Company.

Consideration and Payment Method

The Consideration is RMB31,700,000 and shall be payable by cash to the Transferors by Sichuan Civigas in the following manner.

- 1) the first installment in the amount of RMB9,510,000, being 30% of the Consideration shall be payable by Sichuan Civigas to the Transferors within five business days after the signing of the Equity Transfer Agreement;
- 2) the second installment in the amount of RMB6,340,000, being 20% of the Consideration shall be payable by Sichuan Civigas to the Transferors within ten business days upon completion of the transfer of equity interests in the Target Company (i.e. the issue of a new business license of the Target Company by the relevant industrial and commerce bureau) and no objection from the People's Government of Zhenfeng County after making the necessary filing pursuant to the requirement of piped gas concession right;
- 3) the third installment in the amount of RMB11,095,000, being 35% of the Consideration shall be payable by Sichuan Civigas to the Transferors within three business days after the announcement period of the debt announcement to be made by Sichuan Civigas in relation to the debts of the Target Company under the relevant rules has expired and no objection was made; and
- 4) the fourth installment in the amount of RMB4,755,000, being 15% of the Consideration shall be payable by Sichuan Civigas to the Transferors within six months after the obtaining of the gas concession right permit and provided that no creditors (not disclosed in the financial statements of the Target Company) has made a claim against the Target Company during such period.

Basis for Determination of the Consideration

The Consideration was determined by Sichuan Civigas and the Transferors after arm's length negotiations after taking into consideration the current size of assets, operation area and customer base for gas business and profitability of the Target Company as well as the potential growth of the Target Company. According to the statutory record of the Target Company, the original investment cost of the Target Company incurred by the Transferors was RMB20,000,000.

Completion

Upon the signing of the Equity Transfer Agreement and the payment of the first installment of the Consideration and the Transferors shall resign from their management positions at the Target Company.

Completion of the Acquisition shall take place after the issue of a new business license of the Target Company by the relevant industrial and commerce bureau.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's consolidated financial statements.

Financial Information of the Target Company

Set out below is the financial information of the Target Company for the years ended 31 December 2014 and 2015, as extracted from its unaudited management accounts prepared under the PRC general accepted accounting principles:

	For the year ended 31 December 2014 RMB	For the year ended 31 December 2015 RMB
Loss before tax and extraordinary items	(1,673,944)	(924,944)
Loss after tax and extraordinary items	(1,673,944)	(924,944)
Net assets	17,088,903	16,163,959

INFORMATION ON THE GROUP

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

Sichuan Civigas is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, and is principally engaged in gas investment business.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC on 18 May 2012 with limited liability and has a registered capital of RMB20,000,000. It is principally engaged in the construction and operation of gas pipeline infrastructure, sale of gas and gas appliances and repair. Immediately preceding the Acquisition, the entire equity interests in the Target Company are held by Transferors.

The Target Company holds the concession right for piped gas operation in the designated areas in Zhenfeng County, Guizhou Province (貴州省貞豐縣).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is engaged in, among other things, the construction and operation of gas pipeline infrastructure, sale of gas and gas appliances and repair. The acquisition of the Target Company can further expand the Group's gas business in Guizhou Province.

Through the Acquisition, the Group will obtain a concession right for piped gas operation in Guizhou Province, the PRC, which will be connected to and create synergies with the Group's urban gas projects in Sichuan and Shaanxi Provinces and Chongqing. It will have strategic value and play an important role in the Group's future presence in Guizhou Province and further expansion of its market share in the southwestern China.

The Board (including independent non-executive Directors) is of the opinion that the terms of the Equity Transfer Agreement (including the Consideration) are fair and reasonable; the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group; and these transactions are negotiated on an arm's length basis and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Ren Jun (任俊), the Transferor 1, was a director of 鹽亭中民燃氣有限公司 (Yan Ting Civigas Co., Ltd.[#]) and 北京中聯華安投資有限公司 (Beijing Zhonglian Huaan Investment Co., Ltd.[#]), both wholly-owned subsidiaries of the Company, in the past 12 months and is therefore a connected person at the subsidiary level of the Company. Under Chapter 14A of the Listing Rules, the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company.

Under Rule 14A.101 of the Listing Rules, as (i) one of the Transferors is a connected person at the subsidiary level of the Company; (ii) the Acquisition is on normal commercial terms; (iii) the Board has approved the Acquisition; and (iv) the Directors (including independent non-executive Directors) have confirmed that the terms of the Acquisition are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempted from the circular, independent financial advice and shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Acquisition”	acquisition of the entire equity interests in the Target Company from the Transferors by Sichuan Civigas under the terms and conditions of the Equity Transfer Agreement at the Consideration of RMB31,700,000
“Board”	the board of directors
“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

“connected person at the subsidiary level”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the cash consideration for the Acquisition under the Equity Transfer Agreement, being RMB31,700,000
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 17 March 2016 entered into between Sichuan Civigas and the Transferors, pursuant to which Sichuan Civigas agreed to acquire and the Transferors agreed to sell the entire equity interests in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPG”	liquefied petroleum gas
“PRC” or “China”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of shares
“Sichuan Civigas”	四川中民燃氣投資有限公司(Sichuan Civigas Investment Co., Ltd. #), as the transferee, a company established in the PRC with limited liability which is engaged in gas investment business and the entire equity interests of which is held by the Group
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	貴州省貞豐縣平安燃氣有限責任公司 (Guizhou Province Zhenfeng County Ping’an Gas Co., Ltd.#), a company established in the PRC with limited liability which is principally engaged in the construction of gas pipeline infrastructure, sale of gas and gas appliances and repair in Zhenfeng County, Guizhou Province, the PRC
“Transferors”	collectively, Transferor 1, Transferor 2, Transferor 3, Transferor 4, Transferor 5, Transferor 6, Transferor 7 and Transferor 8
“Transferor 1”	Mr. Ren Jun (任俊), Chinese citizen, subscribed and paid-up capital contribution of RMB5,000,000, representing 25% equity interests in the Target Company immediately preceding completion of the Acquisition. Mr. Ren Jun was a director of 鹽亭中民燃氣有限公司 (Yan Ting Civigas Co., Ltd.#) and 北京中聯華安投資有限公司 (Beijing Zhonglian Huaan Investment Co., Ltd. #), both wholly-owned subsidiaries of the Company, in the past 12 months. As such, Mr. Ren Jun is a connected person at the subsidiary level of the Company

- “Transferor 2” Mr. Yang Rongzhong (楊榮中), Chinese citizen, subscribed and paid-up capital contribution of RMB4,400,000, representing 22% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 3” Mr. Jiang Bin (蔣斌), Chinese citizen, subscribed and paid-up capital contribution of RMB3,400,000, representing 17% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 4” Mr. He Wu (何武), Chinese citizen, subscribed and paid-up capital contribution of RMB2,200,000, representing 11% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 5” Mr. Dou Tingmin (竇廷敏), Chinese citizen, subscribed and paid-up capital contribution of RMB2,000,000, representing 10% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 6” Mr. Tang Pengfei (唐鵬飛), Chinese citizen, subscribed and paid-up capital contribution of RMB1,400,000, representing 7% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 7” Mr. Wang Yuquan (王玉泉), Chinese citizen, subscribed and paid-up capital contribution of RMB1,000,000, representing 5% equity interests in the Target Company immediately preceding completion of the Acquisition
- “Transferor 8” Mr. Yang Yunzan (楊雲贊), Chinese citizen, subscribed and paid-up capital contribution of RMB600,000, representing 3% equity interests in the Target Company immediately preceding completion of the Acquisition

English translated names for identification only.

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

Beijing, 17 March 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, one Non-executive Director namely, Mr. Jin Song and three Independent Non-executive Directors namely, Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man.