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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

2023 NATURAL GAS SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 19 December 2019 in relation to the 2020-2022 Natural Gas Supply Agreement and the Existing Continuing Connected Transactions entered between Xi'an Civigas and Shaanxi Natural Gas.

As the Existing Continuing Connected Transactions are expected to continue after the expiration of the 2020-2022 Natural Gas Supply Agreement, on 30 December 2022, Xi'an Civigas, an indirect non-wholly owned subsidiary of the Company, entered into the 2023 Natural Gas Supply Agreement with Shaanxi Natural Gas to renew the Existing Continuing Connected Transactions for a term of three months commencing from 1 January 2023 to 31 March 2023.

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 only at the subsidiary level under Chapter 14A of the Listing Rules, therefore the 2023 Natural Gas Supply Agreement and the transactions contemplated and the Quarter 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 the 2023 Natural Gas Supply Agreement and the Quarter 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 2023 Natural Gas Supply Agreement are transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better, the 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 of the Company dated 19 December 2019 in relation to the 2020-2022 Natural Gas Supply Agreement and the Existing Continuing Connected Transactions for three years commenced from 1 January 2020 to 31 December 2022 between Xi'an Civigas and Shaanxi Natural Gas.

As the Existing Continuing Connected Transactions are expected to continue after the expiration of the 2020-2022 Natural Gas Supply Agreement, on 30 December 2022, Xi'an Civigas, an indirect non-wholly owned subsidiary of the Company, entered into the 2023 Natural Gas Supply Agreement with Shaanxi Natural Gas to renew the Existing Continuing Connected Transactions for a term of three months commencing from 1 January 2023 to 31 March 2023.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

Date : 30 December 2022

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 under Chapter 14A of the Listing Rules.

Shaanxi Natural Gas is a company listed on the Shenzhen Stock Exchange with stock code 002267.SZ, its controlling shareholder is Shaanxi Gas Group Co., Ltd. (a state-owned enterprise), and the ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People's Government.

Subject : Pursuant to the 2023 Natural Gas Supply Agreement, Xi'an Civigas has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term of three months commencing from 1 January 2023 until 31 March 2023.

Price : The price of the Natural Gas under the 2023 Natural Gas Supply Agreement is composed of the upstream gate station price and the pipeline transportation fee price. The pipeline transportation fee will be in accordance with price set by the Shaanxi Provincial Development and Reform Commission, while the upstream gate price is based on the benchmark gate price fixed by the National Development and Reform Commission.

The Company will re-comply with Chapter 14A of the Listing Rules upon expiry of the term of 2023 Natural Gas Agreement should the Group decides to continue with such transactions with Shaanxi Natural Gas.

The Quarter Caps Amount and basis of determination

The Quarter Caps Amount for the transactions for the term of three months from 1 January 2023 and up to 31 March 2023 under the 2023 Natural Gas Supply Agreement will be RMB79,371,000.

The Quarter Caps Amount for the procurement from Shaanxi Natural Gas by Xi'an Civigas is determined with reference to the historical Natural Gas transactional amount and the projected increasing demand for the Natural Gas for the three months ending 31 March 2023.

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 2020 and 2021, respectively and ten months ended 31 October 2022 respectively.

Aggregate purchase of Natural Gas from Shaanxi Natural Gas:

	Volume (10,000 m ³)	Amount RMB'000
For the 12 months from 1 January 2020 to 31 December 2020 (<i>audited</i>)	8,089	129,208
For the 12 months from 1 January 2021 to 31 December 2021 (<i>audited</i>)	8,053	133,155
For the 10 months from 1 January 2022 to 31 October 2022 (<i>unaudited</i>)	6,774	122,263

Payment terms

Prepayment equivalent to 10 days of Natural Gas purchase will be paid in advance. The settlement interval of purchase is 7 days and will be settled at the end of each month.

REASONS FOR AND BENEFITS OF THE 2023 NATURAL GAS SUPPLY AGREEMENT

The Group is principally engaged in the sales and distribution of fuel gas including the piped gas transmission and distribution, cylinder gas supply, gas distribution and food ingredients supply and fast moving consumer goods supply businesses 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 a state-controlled and listed company which is principally engaged in the construction and operation of long-distance Natural Gas pipeline networks as its core business and integrates downstream distribution business. It is mainly responsible for the planning, construction, operation, management, downstream gas transmission, distribution and sales of Natural Gas long-distance pipeline networks in the whole Shaanxi Province. Shaanxi Natural Gas is listed on the Shenzhen Stock Exchange with stock code 002267.SZ. Its controlling shareholder is Shaanxi Gas Group Co., Ltd. (a state-owned enterprise), and the ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People's Government.

Xi'an Civigas engaged Shaanxi Natural Gas for the supply of Natural Gas since 2006. It is now the sole supplier of Natural Gas to Xi'an Civigas. The 2023 Nature Gas Supply Agreement was entered into between both parties in accordance with relevant laws and regulations for the supply of Natural Gas in the PRC. Through the purchase of Natural Gas from Shaanxi Natural Gas, it can stable the supply in the region Xi'an Civigas serve. In view of the above advantages and the transactions shall 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 2023 Natural Gas Supply Agreement to govern the continuing connected transactions. Given that the 2023 Natural Gas Supply Agreement is entered into in the usual and ordinary course of business of the Group and the transactions contemplated and the Quarter Caps Amount under the 2023 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 2023 Natural Gas Supply Agreement are fair and reasonable and on normal commercial terms and the entering into of the 2023 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 2023 Natural Gas Supply Agreement and the transactions contemplated thereunder, no Director abstained from voting on the resolutions of the Board approving the 2023 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 at the subsidiary level under Chapter 14A of the Listing Rules, therefore the 2023 Natural Gas Supply Agreement and the transactions contemplated and the Quarter 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 the 2023 Natural Gas Supply Agreement and the Quarter 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 2023 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:

- “2020-2022 Natural Gas Supply Agreement” : the natural gas supply agreement dated 18 December 2019 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 commenced from 1 January 2020 until 31 December 2022
- “2023 Natural Gas Supply Agreement” : the natural gas supply agreement dated 30 December 2022 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 2023 until 31 March 2023
- “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 2023 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 2020-2022 Natural Gas Supply Agreement
“Group”	: the Company and its subsidiaries
“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange
“m ³ ”	: cubic metre(s)
“Natural Gas”	: a flammable gaseous fuel and an energy source
“Quarter Caps Amount”	: the amount of Quarter caps of the Continuing Connected Transactions for the three months ending 31 March 2023
“PRC”	: 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”	: 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
“Shareholder(s)”	: holder(s) of the Shares
“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

* *For identification purpose only*

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

Beijing, 30 December 2022

As at the date of this announcement, the Board comprises five Executive Directors namely, Dr. Mo Shikang (Chairman), Mr. Zhang Hesheng (Deputy Chairman), Mr. Fan Fangyi (Managing Director), Miss Mo Yunbi and Ms. Li Fun Replen and three Independent Non-executive Directors namely, Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Cheung Chi Ming.