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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)

DISCLOSEABLE TRANSACTION: DISPOSAL OF SUBSIDIARIES

THE DISPOSAL

On 28 June 2016 (after trading hours of the Stock Exchange), the Vendors and the Purchasers entered into the Equity Transfer Agreements, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Capital for the Total Consideration of RMB73,000,000, which shall be satisfied by the Purchasers as to (i) RMB20,000,000 in cash and in instalment to the Vendors and (ii) RMB53,000,000 settled through assumption of the Debt owing by Zhongmin Yongheng to Shenzhen Le Cai.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules, and is therefore subject to the reporting and announcement requirements but exempt from the circular, independent financial opinion and the Shareholders' approval requirements under the Listing Rules.

Under Rule 14A.09 of the Listing Rules, the Disposal Group is an insignificant subsidiary of the Company. The directors of the Purchasers (Mr. Yang Songsheng and Mr. Yeung Paak Ching) are currently directors of the Disposal Group. Despite that the Purchasers are connected persons of the Company at the subsidiary level, the Purchasers and their respective ultimate beneficial owners are not connected persons of the Company under Rule 14A.09 of the Listing Rules. As such, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 28 June 2016 (after trading hours of the Stock Exchange), the Vendors and the Purchasers entered into the Equity Transfer Agreements, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the Sale Capital for the Total Consideration of RMB73,000,000, which shall be satisfied by the Purchasers as to (i) RMB20,000,000 in cash and in instalment to the Vendors and (ii) RMB53,000,000 settled through assumption of the Debt owing by Zhongmin Yongheng to Shenzhen Le Cai. The relevant major terms and conditions are set out below:

First Equity Transfer Agreement

Date:

28 June 2016 (after trading hours of the Stock Exchange)

Parties:

- (i) the Company; and
- (ii) Yongheng Hong Kong.

Yongheng Hong Kong act as an investment holding company. As at the date of this announcement, each of Mr. Yang Songsheng and Mr. Yeung Paak Ching is a director and ultimate beneficial owner of Yongheng Hong Kong. They are brothers and also directors of the Disposal Group. Mr. Yang Songsheng, who has acted as the chairman and an executive Director of the Company, and Mr. Yeung Paak Ching, who has acted as an executive Director of the Company, both of them resigned all the positions in the Company on 1 August 2013. As such, they are deemed connected persons of the Company at the subsidiary level. Despite that Mr. Yang Songsheng, Mr. Yeung Paak Ching and Yongheng Hong Kong are connected persons of the Company at the subsidiary level, the Disposal Group is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, and Mr. Yang Songsheng, Mr. Yeung Paak Ching and Yongheng Hong Kong are not connected persons of the Company.

Assets to be Disposed of:

The Company has agreed to sell and Yongheng Hong Kong has agreed to purchase or procure to purchase the First Sale Capital, free from all pledges, encumbrances or third party rights in any nature. The First Sale Capital represent 45% equity interests of Cai Cai Le. Upon completion of the Disposal, the Company will no longer hold any equity interests in Cai Cai Le and Cai Cai Le will cease to be a subsidiary of the Company.

First Consideration and Payment Method:

The First Consideration is RMB8,100,000 and shall be paid by Yongheng Hong Kong in cash to the Company in the following manner:

- 1) RMB2,430,000 shall be payable to the Company within 5 days of the entering into of the First Equity Transfer Agreement.
- 2) RMB1,620,000 shall be payable to the Company within 35 days of the entering into of the First Equity Transfer Agreement.
- 3) RMB1,620,000 shall be payable to the Company within 65 days of the entering into of the First Equity Transfer Agreement.
- 4) the balance of RMB2,430,000 shall be payable to the Company within 95 days of the entering into of the First Equity Transfer Agreement.

Basis for Determination of the First Consideration:

The First Consideration was determined by Yongheng Hong Kong and the Company after arm's length negotiations with reference to the percentage of monetary value of the registered capital of Cai Cai Le held by the Company, being RMB18,000,000, and taking into account certain factors including the financial position, business outlook and future prospects of Cai Cai Le. The Directors, including independent non-executive Directors, are of the opinion that the First Consideration is fair and reasonable. According to the statutory record of Cai Cai Le, the total investment made by the Company in Cai Cai Le as at 31 March 2016 amounted to RMB8,100,000.

Completion:

Completion is subject to the satisfaction of the following conditions precedent:

1. the First Equity Transfer Agreement has been executed by the parties and become effective; and
2. each of the Company and Yongheng Hong Kong having obtained the approval of their respective boards of directors, and/or shareholders if required by their articles of association, in respect of the First Equity Transfer Agreement and the transactions contemplated thereunder.

Second Equity Transfer Agreement**Date:**

28 June 2016 (after trading hours of the Stock Exchange)

Parties:

- (i) Zhongmin Yongheng (an indirect wholly-owned subsidiary of the Company); and
- (ii) Yongheng Shenzhen.

Yongheng Shenzhen act as an investment holding company in the PRC. As at the date of this announcement, Yongheng Shenzhen is a wholly-owned subsidiary of Yongheng Hong Kong. As disclosed above, despite that the Purchasers and their ultimate beneficial owners (Mr. Yang Songsheng and Mr. Yeung Paak Ching) are connected persons of the Company at the subsidiary level, the Disposal Group is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, and the Purchasers and their ultimate beneficial owners are not connected persons of the Company.

Assets to be Disposed of:

Zhongmin Yongheng has agreed to sell and Yongheng Shenzhen has agreed to purchase or procure to purchase the Second Sale Capital, free from all pledges, encumbrances or third party rights in any nature. The Second Sale Capital represents the entire equity interests of Shenzhen Le Cai. Shenzhen Le Cai currently holds the entire equity interests of Shenzhen Jin Cai and 55% equity interests of Cai Cai Le. Upon completion of the Disposal, Zhongmin Yongheng will no longer hold any equity interests in Shenzhen Le Cai and Shenzhen Le Cai; Shenzhen Jin Cai and Cai Cai Le shall cease to be a subsidiary of the Company.

Second Consideration and Payment Method:

The Second Consideration is RMB64,900,000 and shall be satisfied by Yongheng Shenzhen in the following manner:

- 1) RMB53,000,000 shall be settled by Yongheng Shenzhen through assumption of the Debt owing by Zhongmin Yongheng to Shenzhen Le Cai in the amount of RMB53,000,000.
- 2) RMB3,570,000 shall be payable to Zhongmin Yongheng within 5 days of the entering into of the Second Equity Transfer Agreement of which RMB2,000,000 had been received from Yongheng Shenzhen upon signing of the Second Equity Transfer Agreement.
- 3) RMB2,380,000 shall be payable to Zhongmin Yongheng within 35 days of the entering into of the Second Equity Transfer Agreement.
- 4) RMB2,380,000 shall be payable to Zhongmin Yongheng within 65 days of the entering into of the Second Equity Transfer Agreement.

- 5) the balance of RMB3,570,000 shall be payable to Zhongmin Yongheng within 95 days of the entering into of the Second Equity Transfer Agreement.

Basis for Determination of Second Consideration:

The Second Consideration was determined by Yongheng Shenzhen and Zhongmin Yongheng after arm's length negotiations with reference to the unaudited net assets (including the Debt) of the Disposal Group as at 31 March 2016, expected recoverable amount of assets and taking into account certain factors including the financial position, business outlook and future prospects of the Disposal Group. The Directors, including independent non-executive Directors, are of the opinion that the Second Consideration is fair and reasonable. According to the statutory record of Shenzhen Le Cai, the total investment made by Zhongmin Yongheng in Shenzhen Le Cai as at 31 March 2016 amounted to RMB125,000,000.

Completion:

Completion is subject to the satisfaction of the following conditions precedent:

1. the Second Equity Transfer Agreement having been executed by the parties and become effective; and
2. each of Zhongmin Yongheng and Yongheng Shenzhen having obtained the approval of their respective boards of directors, and/or shareholders if required by their articles of association, in respect of the Second Equity Transfer Agreement and the transactions contemplated thereunder.

INFORMATION ON THE GROUP AND THE DISPOSAL GROUP

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 barrelled drinking water and lottery agency in the PRC.

Shenzhen Le Cai is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shenzhen Le Cai is principally engaged in the distribution of China Welfare Lottery and an instant lottery called "Keno Games Lottery" which is exclusively available in Shenzhen.

Shenzhen Jin Cai is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shenzhen Jin Cai is inactive.

Cai Cai Le is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Cai Cai Le is inactive.

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below is the financial information of the Disposal Group for the years ended 31 March 2016 and 2015, as extracted from its management accounts prepared under the PRC general accepted accounting principles.

	For the year ended 31 March 2016 (Unaudited) (RMB'000)	For the year ended 31 March 2015 (Audited) (RMB'000)
Loss before tax and extraordinary items	(3,919)	(8,812)
Loss after tax and extraordinary items	(3,919)	(8,812)
Net assets (including the Debt)	19,564	23,483

FINANCIAL IMPACTS OF THE DISPOSAL

Taking into account the unaudited net assets (including the Debt) of the Disposal Group as at 31 March 2016 and the Total Consideration receivable under the Disposal, the Company is expected to record unaudited gain arising from the Disposal of approximately RMB53,436,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The regulatory developments of the PRC lottery industry caused changes in the market conditions and operating development in year 2015. The operation of the internet lottery distribution channel was suspended in March 2015 (the “**Internet Suspension**”), and the regulation and approval procedures for new lottery products and distribution channels have since become prolonged. The Chinese authorities carried out such changes in order to improve the transparency of the industry and rectify improper behaviours. As a result of these regulatory developments, the PRC lottery market was met with difficulties in the short term, and total lottery sales declined in the year. Total sales of welfare lotteries in the PRC lottery market amounted to approximately RMB142.3 billion in 2015, representing a decrease of 4% compared to 2014. The Internet Suspension also hit traditional products (including Lotto and digital games) and high-frequency games. Based on the unaudited financial results of the Disposal Group for the year ended 31 March 2016, the lottery agency business generated revenue of approximately RMB2,831,000, representing a decrease of 18.30% compared with last year. Loss after tax and extraordinary items was approximately RMB3,919,000. Under such circumstance, the Company intends to minimise its exposure and maximise the amount to be recovered from disposal of the Disposal Group as soon as practicable, and the Disposal is conducted to achieve such goal. In view of the above, the Directors, including independent non-executive Directors, are of the view that the entering into of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and its shareholders as a whole.

USE OF PROCEEDS OF THE DISPOSAL

The proceeds of the Disposal are expected to be utilised as additional working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules, and is therefore subject to the reporting and announcement requirements but exempt from the circular, independent financial opinion and shareholders’ approval requirements under the Listing Rules.

Under Rule 14A.09 of the Listing Rules, the Disposal Group is an insignificant subsidiary of the Company. The directors of Purchasers (Mr. Yang Songsheng and Mr. Yeung Paak Ching) are currently directors of the Disposal Group. Despite that the Purchasers are connected persons of the Company at the subsidiary level, the Purchasers and their respective ultimate beneficial owners are not connected persons of the Company under Rule 14A.09 of the Company. As such, the Disposal does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Cai Cai Le”	深圳彩彩樂電子娛樂科技開發有限公司 (Shenzhen Cai Cai Le Electronic Entertainment Technology Development Limited*), a company incorporated in the PRC with limited liability, 55% and 45% equity interests of which are held by Shenzhen Le Cai and the Company, respectively, prior to the Disposal
“China” or “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
“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
“Debt”	all the shareholder’s loan and other debts owned by Zhongmin Yongheng to Shenzhen Le Cai in the amount of RMB53,000,000
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Sale Capital under the Equity Transfer Agreements, which constitutes a discloseable transaction of the Company under the Listing Rules
“Disposal Group”	collectively, Shenzhen Le Cai, Shenzhen Jin Cai and Cai Cai Le
“Equity Transfer Agreements”	collectively, the First Equity Transfer Agreement and the Second Equity Transfer Agreement
“First Consideration”	RMB8,100,000, being the consideration for sale of the First Sale Capital
“First Equity Transfer Agreement”	an agreement dated 28 June 2016 entered into between the Company and Yongheng Hong Kong in relation to the disposal of the First Sale Capital by the Company to Yongheng Hong Kong at the First Consideration of RMB8,100,000
“First Sale Capital”	registered and paid-in capital of Cai Cai Le amounting to RMB8,100,000, representing 45% equity interests of Cai Cai Le held by the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchasers”	collectively, Yongheng Hong Kong and Yongheng Shenzhen
“Sale Capital”	collectively, the First Sale Capital and the Second Sale Capital
“Second Consideration”	RMB64,900,000, being the consideration for sale of the Second Sale Capital together with the Debt
“Second Equity Transfer Agreement”	an agreement dated 28 June 2016 entered into between Zhongmin Yongheng and Yongheng Shenzhen in relation to the disposal of the Second Sale Capital together with the Debt to Yongheng Shenzhen at the Second Consideration of RMB64,900,000
“Second Sale Capital”	registered and paid-in capital of Shenzhen Le Cai amounting to RMB125,000,000, representing the entire equity interests of Shenzhen Le Cai held by Zhongmin Yongheng
“Shareholder(s)”	holders of the shares of the Company
“Shenzhen Le Cai”	深圳市永恒樂彩科技開發有限公司 (Shenzhen Yongheng Le Cai Technology Development Limited*), a company incorporated in the PRC with limited liability, the entire equity interests of which is held by Zhongmin Yongheng prior to the Disposal
“Shenzhen Jin Cai”	深圳市永恒進彩科技開發有限公司 (Shenzhen Yongheng Jin Cai Technology Development Limited*), a company incorporated in the PRC with limited liability, the entire equity interests of which is held by Shenzhen Le Cai prior to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	the consideration for sale and purchase of the Sale Capital, being RMB73,000,000
“Vendors”	collectively, the Company and Zhongmin Yongheng
“Yongheng Hong Kong”	永恒發展集團有限公司 (Yongheng Development Corporation Limited), a company incorporated in Hong Kong with limited liability and engaged in investment holding business. Each of Mr. Yang Songsheng and Mr. Yeung Paak Ching is a director of Yongheng Hong Kong and brothers. Mr. Yang Songsheng, who has acted as the chairman and an executive Director of the Company, and Mr. Yeung Paak Ching, who has acted as an executive Director of the Company, both of them resigned all the positions in the Company on 1 August 2013

- “Yongheng Shenzhen” 永恒發展集團（深圳）有限公司 (Yongheng Development Group (Shenzhen) Co., Ltd.*), a company incorporated in the PRC with limited liability and engaged in investment holding business, the entire equity interests of which is held by Yongheng Hong Kong
- “Zhongmin Yongheng” 北京中民永恒投資諮詢有限公司 (Beijing Zhongmin Yongheng Investment Consultant Co., Ltd.*), a company incorporated in the PRC with limited liability and engaged in investment holding business, the entire equity interests of which is held by the Group

On behalf of the Board of
Chinese People Holdings Company Limited
Mr. Fan Fangyi
Managing Director

Beijing, 28 June 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.

** For identification purpose only*