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If you have sold or transferred all your shares in Chinese People Holdings Company Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



**NEW SPRING
CAPITAL LIMITED**

New Spring Capital Limited

Capitalised terms used in this cover page shall have the same meanings at those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter of advice from the Independent Board Committee is set out on pages 13 to 14 to this circular. A letter of advice of New Spring Capital Limited, the Independent Financial Adviser, containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 30 of this circular.

A notice convening the SGM of the Company to be held at the head office of Chinese People Holdings Company Limited, Conference Room, 1st Floor, No. 36 BDA International Business Park, No.2 Jingyuan North Street, Economic Technological Development Area, Beijing, 100176, China on 23 December 2013 at 1:30 p.m. is set out on pages 37 to 38 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

28 November 2013

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gas Fuel”	Collectively, the Natural Gas and liquefied petroleum gas
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board consisting of all independent non-executive Directors, namely Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man, which has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Natural Gas Supply Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “New Spring Capital”	New Spring Capital Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Natural Gas Supply Agreement and the transactions contemplated thereunder
“Independent Shareholder”	Shareholders which are not required to abstain from voting at the general meeting of the Company to approve the Natural Gas Supply Agreement

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Latest Practicable Date”	26 November 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“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
“Natural Gas Supply Agreement”	the natural gas supply agreement dated 12 November 2013 and entered into between Xi’an Zhongmin and Shaanxi Natural Gas in relation to the purchase of Natural Gas from Shaanxi Natural Gas by Xi’an Zhongmin for a term commencing from 1 January 2014 until 31 December 2016
“Period”	1 January 2014 to 31 December 2016
“PRC”	the People’s Republic of China, which, for the purpose of this circular, shall excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Natural Gas Supply Agreement and the transactions contemplated thereunder
“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

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.07 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi’an Zhongmin”	西安中民燃氣有限公司 (Xi’an Zhongmin Gas Co., Ltd. [#]), a company established in the PRC with limited liability and principally engaged in sales and distribution of Gas Fuel, design of Gas Fuel pipeline and related maintenance in Xi’an city, Shaanxi Province, PRC and 51% owned subsidiary of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

[#] *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the historical exchange rate of RMB1.0000 to HK\$1.2736. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

LETTER FROM THE BOARD



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

Executive Directors:

Dr. Mo Shikang (*Chairman*)
Mr. Zhang Hesheng (*Deputy Chairman*)
Mr. Jin Song (*Managing Director*)
Mr. Chu Kin Wang Peleus

Registered office:

Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

Independent non-executive Directors:

Dr. Liu Junmin
Prof. Zhao Yanyun
Mr. Sin Ka Man

*Head office and principal place
of business in Hong Kong:*

Unit 1101, 11st Floor,
Tung Ning Building,
2 Hillier Street, Central,
Hong Kong

To the Shareholders

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS; AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2013 in relation to the Natural Gas Supply Agreement. On 12 November 2013, Xi'an Zhongmin entered into the Natural Gas Supply Agreement with Shaanxi Natural Gas, pursuant to which Xi'an Zhongmin has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term commencing from 1 January 2014 until 31 December 2016.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, (i) further information relating to the Natural Gas Supply Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Natural Gas Supply Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Natural Gas Supply Agreement and the transactions contemplated thereunder; and (iv) the notice of SGM, and other information as required under the Listing Rules.

(I) CONTINUING CONNECTED TRANSACTIONS

DETAILS OF THE NATURAL GAS SUPPLY AGREEMENT

Date: 12 November 2013

Parties: Xi'an Zhongmin; and
Shaanxi Natural Gas

As at the Latest Practicable Date, Shaanxi Natural Gas is a shareholder of Xi'an Zhongmin holding 40% equity interests in Xi'an Zhongmin and hence a connected person of the Company. Shaanxi Natural Gas is owned as to 60.55% by 陝西省投資集團(有限)公司 (Shaanxi Investment Group Co., Ltd.[#]), a state-owned enterprise principally engaged in investment, development and management of development projects in Shaanxi, the PRC. The remaining 39.45% of the equity interests in Shaanxi Natural Gas are owned by nine institutional and individual shareholders, which are Independent Third Parties. The entering into of the Natural Gas Supply Agreement between Xi'an Zhongmin and Shaanxi Natural Gas constitutes continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the Natural Gas Supply Agreement, Xi'an Zhongmin has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term commencing from 1 January 2014 until 31 December 2016.

Price: The basis of determining the prices of the Natural Gas to be purchased by Xi'an Zhongmin under the Natural Gas Supply Agreement will be in accordance with the price set by the Shaanxi Provincial Price Bureau. In case that there is an adjustment to pricing policies on Natural Gas stipulated by the regulatory authority, the price of Natural Gas offered to Xi'an Zhongmin by Shaanxi Natural Gas will be adjusted accordingly.

LETTER FROM THE BOARD

Annual cap: The annual cap for the transactions for each of the three years ending 31 December 2014, 31 December 2015 and 31 December 2016 under the Natural Gas Supply Agreement will be RMB121,603,000 (approximately HK\$154,873,000), RMB140,015,000 (approximately HK\$178,323,000) and RMB162,421,000 (approximately HK\$206,859,000) respectively (“Annual Caps”).

The cap amount for the procurement from Shaanxi Natural Gas by Xi'an Zhongmin is determined with reference to the historical transactional amount and the projected demand for the Natural Gas in the volume of 78,190,000 m³, 90,480,000 m³ and 105,450,000 m³ for the three years ending 31 December 2016.

Historical transaction amounts for the purchase of Natural Gas

Xi'an Zhongmin and Shaanxi Natural Gas had business transactions in previous years. The historical transaction amounts in respect of purchase of Natural Gas from Shaanxi Natural Gas by Xi'an Zhongmin for the two years ended 31 December 2011 and 2012 and the nine months ended 30 September 2013 are approximately RMB73.20 million, RMB82.63 million and RMB61.19 million respectively.

For illustration in the financial years ended 31 March 2011, 2012 and 2013 and six months ended 30 September 2013 of the Company, the historical transaction volumes and amounts in respect of purchase of Natural Gas from Shaanxi Natural Gas by Xi'an Zhongmin are summarised as follows:

For the year ended 31 March	<i>Volume (‘000 m³)</i>	<i>RMB‘000</i>
2011 (audited)	45,334	64,334
2012 (audited)	50,032	78,243
2013 (audited)	54,242	85,860
For the six months ended 30 September 2013 (unaudited)	19,224	30,909

The volume and the amount of Natural Gas purchased by Xi'an Zhongmin from Shaanxi Natural Gas for the six months ended 30 September 2013 were 19,224,000 m³ and approximately RMB30.91 million respectively. The Natural Gas purchased during the 4th quarter of 2011 and 2012 contributed approximately 31.69% and 32.66% respectively of the total Natural Gas purchased by Xi'an Zhongmin from Shaanxi Natural Gas in these two years. Therefore, the consumption of Natural Gas in the 4th quarter of 2013 is expected to be picked up and increase significantly during autumn and winter of 2013.

LETTER FROM THE BOARD

Transactions between Xi'an Zhongmin and Shaanxi Natural Gas in financial year ended 31 March 2013 were attributable to contracts entered into between Xi'an Zhongmin and Shaanxi Natural Gas before Shaanxi Natural Gas became a connected person of the Company.

Transactions between Xi'an Zhongmin and Shaanxi Natural Gas during the period from 31 March 2013 to 31 December 2013 were attributable to the contract entered into between Xi'an Zhongmin and Shaanxi Natural Gas, details of which have been disclosed in the announcement and circular of the Company dated 23 May 2013 and 8 July 2013 respectively.

According to the governmental documents issued by the Shaanxi Provincial Price Bureau in 2006 and 2010, which cover the pricing guidance on Natural Gas in the Shaanxi Province prior to and after 20 October 2010 respectively. The cost of Natural Gas incurred by Xi'an Zhongmin had been increased by approximately 18.3% and 24.3% for that delivered to urban households and commercial and industrial users respectively after the release of the regulatory pricing guidance of Natural Gas in the late 2010. The Notice 1246 (2013) issued by National Development and Reform Commission further allowed the increase of the price Natural Gas with effective from 10 July 2013 in order to stimulate supplies of Natural Gas in the PRC. The Directors consider that, other than the upraised price in 2010, the strong historical growth of the purchase was mainly attributable to (i) the national policies to encourage and promote the use of Natural Gas in the PRC as an environment concern; (ii) the potential investment for the development of Natural Gas infrastructure by the PRC Government; (iii) the increasing demand for Natural Gas and energy resources in the PRC driven by the enhanced pipeline construction in cities and the steady acceleration of industrialisation; and (iv) the enlarged customer base resulted from the efforts placed by the management of Xi'an Zhongmin in development connection with customers. The Directors expect that, given the favourable historical growth in Xi'an Zhongmin's results of operations and leveraging to the great support by the nation to the Natural Gas industry, such growth will likely to continue and in a stronger way in the coming three years ending 31 December 2016.

Demand for Natural Gas from Xi'an Zhongmin in the market

In determination of the Annual Caps, the Company expected that the pricing policies set by the regulatory authority in the Shaanxi Province would remain in the same manner within a short timeframe (i.e. by the end of 2013). The Directors, by taking into account (i) the increased historical transaction volumes and amounts of Natural Gas purchased from Shaanxi Natural Gas and the underlying reasons for such growth as abovementioned; (ii) the expected demand for Natural Gas within the province and the projected volumes of Natural Gas to be purchased for the period covered under the Natural Gas Supply Agreement, consider that the future transaction amount could be generated stronger than the corresponding period of previous years.

LETTER FROM THE BOARD

The purchase volume and amount for the year ended 31 December 2012 were approximately 52,720,000 m³ and RMB82.63 million respectively. The purchase volume and amount for the year ending 31 December 2013 is estimated to approximately 60,026,000 m³ and RMB96.83 million respectively. In comparing between the year ended 31 December 2012 and the year ending 31 December 2013, there is a growth in the purchase volume and transaction value by approximately 13.86% and 17.19% respectively. The expected growth rate of annual cap for purchase volume of Natural Gas for the three years ending 31 December 2014, 2015 and 2016 are approximately 30.26%, 15.72% and 16.55% respectively. The expected increase of transaction value for the three years ending 31 December 2014, 2015 and 2016 are approximately 25.58%, 15.14% and 16.00% respectively.

The high growth rate for the annual cap in the year ending 31 December 2014 was arrived at after taking into account of: (i) the expected growth of demand for Natural Gas following the “Twelfth Five-Year” Plan of National City Gas Development announced by the PRC Government in June 2012 (“**Twelfth Five-Year Plan**”); (ii) the potential business opportunities with the National Aviation Hi-tech Industrial Base in Xi’an, which is a development zone focusing on aviation industry in the PRC being highly valued and supported by national, provincial and municipal governments; and (iii) the expected new supplies to new gas station of Fu Ping County through the supplies to Fu Ping Zhongmin Gas Co., Ltd. which is an indirect non wholly-owned subsidiary of the Company during 2014. The expect growth rate for the annual cap for the years ending 31 December 2015 and 2016 are in line with the average growth rate in the year ended 31 December 2012 and the year ending 31 December 2013.

According to the Twelfth Five-Year Plan, the PRC Government would vigorously promote the development and use of Natural Gas as primary consumption of urban gas in the PRC, including the use of Natural Gas vehicles in cities, aimed at developing a healthier urban gas industry and an improvement in energy utilisation in cities. According to People’s Daily (or namely Renmin Ribao), a renowned daily newspaper in the PRC, it is expected that Natural Gas consumption would be reached to around 9% of the national energy consumption, from the current of approximately 6%, by 2020, covering 31 provinces in the PRC.

The Group, leveraging to the great opportunities from the national support to and the potential growth of Natural Gas industry in the PRC, will continue to aggressively develop its business of the sales and distribution of Natural Gas across the border including the Shaanxi Province. In particular, benefited from the nation’s encouragement to the use of Natural Gas vehicles and the steady acceleration of industrialisation, it is expected that the consumption needs for Natural Gas by, particularly, the commercial and industrial users including the users of Natural Gas vehicles will likely to rise even stronger. Advantaged to the enlargement of gas pipeline connection under the Yangliang Gas Pipeline Project, the Directors are confident that the Company will be able to secure the stronger supply of Natural Gas from Shaanxi Natural Gas and to capture the increasing consumption demand in the region.

LETTER FROM THE BOARD

Having considered (i) the significant growth in the historical financial performance of Xi'an Zhongmin for the three years ended 31 March 2013; (ii) the PRC Government's great support to the development of Natural Gas industry and the strong investment in Natural Gas infrastructure across provinces and cities, including the Shaanxi Province; (iii) the PRC Government's intention to consistently promote the use of Natural Gas in cities and the use of Natural Gas vehicles as indicated by the "Twelfth Five-Year" Plan of National City Gas Development; (iv) the increasing demand and consumption needs for Natural Gas in the PRC; and (v) the Group's intention to aggressively develop its Natural Gas business and Xi'an Zhongmin's capability to catch up with the future market demand in the distribution and supply of Gas Fuel, the Directors consider that the projected purchase volume and amount of Natural Gas proposed under the Annual Caps are reasonably estimated and fair and reasonable.

The finance department of the Company will closely monitor and ensure that (i) the purchase of Natural Gas from Shaanxi Natural Gas will not exceed the annual cap for each of the three years ending 31 December 2016; and (ii) prices of Natural Gas under the Natural Gas Supply Agreement will be in accordance with the price set by the Shaanxi Provincial Price Bureau.

Payment terms

Advance payment of RMB2,400,000 will be paid to Shaanxi Natural Gas in January 2014. This advance payment will be used to settle the prices of the Natural Gas to be purchased by Xi'an Zhongmin under the Natural Gas Supply Agreement.

Condition precedent

The Natural Gas Supply Agreement is conditional upon approval of the Independent Shareholders of the Company.

REASONS FOR THE ENTERING INTO OF THE 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 and involved in the lottery agency in 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, PRC. Through purchasing the Natural Gas from Shaanxi Natural Gas, it can stable our supply in the region we serve.

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

LETTER FROM THE BOARD

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 Natural Gas Supply Agreement to govern the continuing connected transactions.

Given that the Natural Gas Supply Agreement is entered into in the usual and ordinary course of business of the Group and the transactions under the Natural Gas Supply Agreement will be conducted on an arm's length basis and on normal commercial terms, the Directors consider that the terms of the Natural Gas Supply Agreement are fair and reasonable and the entering into of the Natural Gas Supply Agreement are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Shaanxi Natural Gas is a shareholder of Xi'an Zhongmin holding 40% equity interests in Xi'an Zhongmin and hence a connected person of the Company. The entering into of the Natural Gas Supply Agreement between Xi'an Zhongmin and Shaanxi Natural Gas constitutes continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As each or all of the percentage ratios (other than the profits ratio) for the Natural Gas Supply Agreement and the purchase of Natural Gas during the Period, is or are on an annual basis more than 5%, the Natural Gas Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. None of the Directors has a material interest in the Natural Gas Supply Agreement and therefore none of the Directors has abstained from voting on the relevant board resolution. Shaanxi Natural Gas and its associates are required to abstain from voting in respect of the relevant resolution approving the Natural Gas Supply Agreement and the transactions contemplated thereunder at the SGM. To the best knowledge, information and belief of the Directors, none of the Shareholders who are required to abstain from voting in respect of the relevant resolution approving the Natural Gas Supply Agreement and the transactions contemplated thereunder at the SGM (including but not limited to Shaanxi Natural Gas) held any Shares as at the Latest Practicable Date.

SGM

The notice convening the SGM to be held at the head office of Chinese People Holdings Company Limited, Conference Room, 1st Floor, No. 36 BDA International Business Park, No. 2 Jingyuan North Street, Economic Technological Development Area, Beijing, 100176, China on 23 December 2013 at 1:30 p.m. is set out on pages 37 to 38 of this circular. An ordinary resolution will be proposed at the SGM to approve, among other things, the Natural Gas Supply Agreement and the transactions contemplated thereunder. The resolution proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the result of the SGM.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy enclosed and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Shaanxi Natural Gas and its associates will abstain from voting in respect of the relevant resolution approving the Natural Gas Supply Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, Shaanxi Natural Gas and its associates who are required to abstain from voting in respect of the relevant resolution approving the Natural Gas Supply Agreement and the transactions contemplated thereunder at the SGM (including but not limited to Shaanxi Natural Gas) did not hold any Shares as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, there is (i) no voting trust or other agreement or arrangement or understanding entered into by binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the terms of the Natural Gas Supply Agreement and the transactions contemplated thereunder.

New Spring Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Natural Gas Supply Agreement and the transactions contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of New Spring Capital, consider that the Natural Gas Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM for approving the Natural Gas Supply Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The text of the letter from the Independent Board Committee is set out on pages 13 to 14 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 15 to 30 of this circular.

RECOMMENDATION

The Board (including the independent non-executive Directors), having taken into account of the reasons set out in the paragraphs headed “Reasons for the entering into of the Natural Gas Supply Agreement” above and the recommendations of the Independent Board Committee and the Independent Financial Adviser, considers that the Natural Gas Supply Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM for approving the Natural Gas Supply Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its views in relation to the Natural Gas Supply Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 15 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Natural Gas Supply Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving its opinions.

Your attention is also drawn to other additional information as set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Chinese People Holdings Company Limited
Mr. Jin Song
Managing Director and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

28 November 2013

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 28 November 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether, in our opinion, the Natural Gas Supply Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

New Spring Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 15 to 30 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 12 of the Circular and the additional information set out in the appendix of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Natural Gas Supply Agreement, the principal factors and reasons considered by, and the advice of New Spring Capital, we are of the opinion that the Natural Gas Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Natural Gas Supply Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
Chinese People Holdings Company Limited

Dr. Liu Junmin Prof. Zhao Yanyun Mr. Sin Ka Man
Independent non-executive Directors

LETTER FROM NEW SPRING CAPITAL

The following is the text of the letter of advice from New Spring Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Natural Gas Supply Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



NEW SPRING
CAPITAL LIMITED

10th Floor Hip Shing Hong Centre
55 Des Voeux Road Central
Central
Hong Kong

28 November 2013

*To: the Independent Board Committee and
the Independent Shareholders of Chinese People Holdings Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NATURAL GAS SUPPLY AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Natural Gas Supply Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 November 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

According to the announcement of the Company dated 12 November 2013, in respect of the continuing connected transactions in relation to the entering into the Natural Gas Supply Agreement (the “**Announcement**”), the Board announced that, on 12 November 2013, Xi'an Zhongmin entered into the Natural Gas Supply Agreement with Shaanxi Natural Gas pursuant to which Xi'an Zhongmin has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term commencing from 1 January 2014 to 31 December 2016.

LETTER FROM NEW SPRING CAPITAL

As at the date of the Latest Practicable Date, Shaanxi Natural Gas is a shareholder of Xi'an Zhongmin holding 40% equity interests in Xi'an Zhongmin and hence a connected person of the Company. The entering into of the Natural Gas Supply Agreement between Xi'an Zhongmin and Shaanxi Natural Gas constitutes continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As each or all of the percentage ratios (other than the profits ratio) for the transactions under the Natural Gas Supply Agreement and the purchase of Natural Gas during the Period is or are on an annual basis more than 5%, the Natural Gas Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Accordingly, the Independent Board Committee comprising all the independent non-executive Directors (namely Dr. Liu Junmin, Professor Zhao Yanyun and Mr. Sin Ka Man) has been established to advise the Independent Shareholders as to (i) whether the terms of Natural Gas Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote at the SGM, after taking into account the factors and reasons considered by the Independent Financial Adviser, appointed by the Company, and its conclusion and advice.

We, New Spring Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Natural Gas Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to how the Independent Shareholders should vote at the SGM. We do not, by this letter, warrant the merits of the transactions contemplated thereunder, other than to form an opinion, for the purpose of the Listing Rules.

We are not associated with the Company, Shaanxi Natural Gas and their respective associates (as defined under the Listing Rules), including but not limited to, any other Shareholders who are interested or involved in the Natural Gas Supply Agreement, and accordingly, are considered eligible to give independent advice on the terms of the Natural Gas Supply Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any parties above.

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BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this Circular were true and accurate at the time when they were made and will continue to be accurate as at the Latest Practicable Date. In the event that there are material changes of the Company that they affect our opinion from the Latest Practicable Date to the date of SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in this Circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this Circular to provide a reasonable basis for our opinion and recommendation. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinion which include, as to the entering into the Natural Gas Supply Agreement:

- (a) obtaining and reviewing the Announcement, the Letter from the Board, the annual reports of the Company for the year ended 31 March 2013, and relevant announcements and/or circulars of the Company in relation to the Natural Gas Supply Agreement;
- (b) obtaining and reviewing the audited accounts of Xi'an Zhongmin for the two financial years from 31 December 2011 and 2012 and the unaudited account for the nine months period ended 30 September 2013;
- (c) obtaining and reviewing the information, documents and/or agreements in relation to the historical business transactions between Xi'an Zhongmin and Shaanxi Natural Gas and the Natural Gas Supply Agreement;
- (d) reviewing public documents published by Shaanxi Natural Gas;
- (e) reviewing industry guidance released by relevant regulatory bodies;
- (f) conducting market research to provide references for the major terms of the Natural Gas Supply Agreement and the industry performance; and

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- (g) interviewing the Directors and the management of the Group regarding the reasons and background of the entering into the Natural Gas Supply Agreement and the basis of determining such agreement terms, the historical financial results of Xi'an Zhongmin and the future plan of the Group's Natural Gas business, the business relationship and transaction details with Shaanxi Natural Gas, the industry growth and prospects of Natural Gas industry and so forth.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders with regard to the Natural Gas Supply Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

I. Background and reasons for the entering into of the Natural Gas Supply Agreement

(i) The Group's business performance and development of Natural Gas business

The Group currently has three operating segments, namely (i) provision of piped Gas Fuel, which consists of Natural Gas and LPG; (ii) transportation, distribution and retail of bottled LPG; and (iii) lottery agency. As revealed in the Company's annual report for the year ended 31 March 2005, the Company commenced its business of distribution, supply and installation of piped Gas Fuel since 2004. As referred to the annual report of the Company for the financial year ended 31 March 2013 ("**2013 Annual Report**"), the provision of piped Gas Fuel is the major income source of the Group. The Group recorded an income of approximately HK\$927,385,000 from the provision of piped Gas Fuel for the financial year ended 31 March 2013, representing a growth of 17.70% as compared with the financial year ended 31 March 2012, which accounting for approximately 61.06% of the Group's annual turnover during the year ended 31 March 2013. During the financial year ended 31 March 2013, through the development, construction and maintenance of urban piped Gas Fuel network, the Group has always been dedicated to supply piped Gas Fuel to the vast urban household and industrial & commercial customers.

According the 2013 Annual Report, Natural Gas supplied by the Group is delivered to two major groups of customers, being (i) urban households and (ii) commercial and industrial users, in the cities. The following table summarised the results of operation of in the provision of piped Gas Fuel and transportation, distribution and bottled retail of LPG of the Group for the three financial years ended 31 March 2013 extracted from the annual report of the Company for the respective financial years ended 31 March 2012 and 2013:

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	Year ended 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover:			
<i>Provision of piped Gas Fuel</i>	598,084	787,951	927,385
<i>Transportation, distribution and retail of bottled LPG</i>	255,784	330,619	589,351

During the year ended 31 March 2013, the turnover of the Group in the provision of piped Gas Fuel was increased by 17.70% from approximately HK\$788.0 million in the last year to approximately HK\$927.4 million. According to 2013 Annual Report, the Gas Fuel sales of the Group for the year ended 31 March 2013 exceeding 300.00 million cubic meters (m³) to 301.69 million m³ in total, representing a growth of 13.46% over the last year ended 31 March 2012.

Xi'an Zhongmin, an indirect subsidiary of the Company, is principally engaged in sales and distribution of Gas Fuel, design of Gas Fuel pipeline and related maintenance in Xi'an city, Shaanxi Province, PRC. The following table summarised the results of operation of Xi'an Zhongmin for the two financial years ended 31 December 2012 extracted from the audited report of Xi'an Zhongmin for the respective financial years ended 31 December 2011 and 2012 and the unaudited results of Xi'an Zhongmin for nine months period ended 30 September 2013:

	Year ended 31 December		Nine months ended 30
	2011	2012	September
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Revenue	89,793	105,774	76,355
Net profit before taxation	8,681	11,371	6,816
Net profit after taxation	7,301	9,665	5,793

As illustrated from the table above, we noted that revenue of Xi'an Zhongmin increased by RMB15.98 million from approximately RMB89.8 million for the year ended 31 December 2011 to approximately RMB105.7 million for the year ended 31 December 2012, which represented an increase of approximately 17.8%. As advised by the Directors, the favourable financial performance of Xi'an Zhongmin was primarily benefited from (i) the potential investment for the development of Natural Gas infrastructure of The Central People's Government of the PRC (the "PRC

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Government”), where the Shaanxi Province is one of the targeted regions; (ii) the increasing consumption needs of Natural Gas driven by the increasing popularity of pipeline construction and resources supply in the province/city; and (iii) the efforts placed by the management of Xi'an Zhongmin to strengthen its customer base and connections with potential customers. It is advised that, by 30 September 2013, the number of accumulated connected customers (接駁用戶) of Xi'an Zhongmin has been increased from 45,000 units as at 31 March 2013 to 47,751 units, which represented about 7.46% of the Group's total number of connected customers.

We noted from the public information released by the PRC Government, particularly the “Twelfth Five-Year” Plan of National City Gas Development, that the nation has been emphasising the popularity of the use of Natural Gas and the development for Natural Gas infrastructure in the across provinces. According to the news release of National Development and Reform Commission (“**NDRC**”) of the PRC on 21 October 2013, the use of Natural Gas in the PRC has increased by 13.5% for the first three quarter of 2013 which exceeded the growth rate of production of Natural Gas in only 9.2% during the same period which shown the shortage of supply of Natural Gas in the PRC.

Taking the advantage of great support in promoting use of Natural Gas by the PRC Government and the increasing demand for Natural Gas, the Directors are of the view that the Group will take the advantages to seize the opportunity and improve the Natural Gas industry chain and consider that the Shaanxi Province will be one of the strategic regions to the Group's business development of Gas Fuel in the future.

(ii) *Business relationship with Shaanxi Natural Gas and transaction details under the Natural Gas Supply Agreement*

Shaanxi Natural Gas, the connected person of the Company, is one of the leading Natural Gas providers in Shaanxi Province, the PRC. We noted from the public documents released by Shaanxi Natural Gas and understand from the Directors that Shaanxi Natural Gas is one of the leading Natural Gas providers in Shaanxi Province, the PRC and has a dominated position in the Natural Gas industry of the province. It is advised by the Directors that Xi'an Zhongmin engaged Shaanxi Natural Gas for the supply of Natural Gas in Shaanxi Province since 2006. 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. As at the Latest Practicable Date, Shaanxi Natural Gas is the sole supplier of Natural Gas to Xi'an Zhongmin.

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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. Xi'an Zhongmin is principally engaged in sales and distribution of Gas Fuel, design of Gas Fuel pipeline and related maintenance in Xi'an city, Shaanxi Province, PRC. The Directors consider that the purchase of Natural Gas from Shaanxi Natural Gas which can stable the supply Natural Gas of the Group in that region. The Directors advised that the transactions will be carried out in the ordinary course of business of each party and it is reasonable and beneficial to the parties entering into the Natural Gas Supply Agreement to govern the continuing connected transactions.

Having considered (i) the historical performance of Xi'an Zhongmin and the significant role of Natural Gas business to the Group; (ii) the potential development of and increasing demand in the Natural Gas industry of the PRC; (iii) the favourable national policies and strong investment in Natural Gas infrastructure by the PRC Government; (iv) the close business relationship of Xi'an Zhongmin with Shaanxi Natural Gas, the dominated market leader; and (v) the secured supply of Natural Gas under the Natural Gas Supply Agreement at the current shortage supply in Natural Gas in the PRC and the high delivery cost to be incurred in replacement of supplier, we concur with the Director's view that the entering into of the Natural Gas Supply Agreement is commercially conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

II. Terms of the Natural Gas Supply Agreement

Pursuant to the Natural Gas Supply Agreement, Xi'an Zhongmin has agreed to purchase the Natural Gas from Shaanxi Natural Gas for a term commencing from 1 January 2014 until 31 December 2016.

An advance payment of RMB2,400,000 will be paid to Shaanxi Natural Gas in January 2014. This advance payment will be used to settle the prices of the Natural Gas to be purchased by Xi'an Zhongmin under the Natural Gas Supply Agreement. We are advised by the Directors that the advance payment is a normal practice in the industry and is mutually agreed by both parties after arm's length negotiation with reference to the terms of advance payment in the historical transactions between Xi'an Zhongmin and Shaanxi Natural Gas.

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The annual cap for the transactions for each of the three years ending 31 December 2014, 31 December 2015 and 31 December 2016 under the Natural Gas Supply Agreement will be RMB121,603,000 (approximately HK\$154,873,000), RMB140,015,000 (approximately HK\$178,323,000) and RMB162,421,000 (approximately HK\$206,859,000) respectively.

(i) Purchase price of Natural Gas

We have reviewed the Natural Gas Supply Agreement and noted that the basis of determining the price of Natural Gas to be purchased from Shaanxi Natural Gas will be in accordance with the price set by the Shaanxi Provincial Price Bureau, a governmental body in the PRC who is responsible for developing and implementing pricing policies within the province, subject to adjustments from time to time and the actual price will be fixed in accordance with the prevailing market. The Directors confirm that such pricing policy will be applied to all future transactions under the Natural Gas Supply Agreement between Xi'an Zhongmin and Shaanxi Natural Gas. In case that there is an adjustment to pricing policies on Natural Gas stipulated by the regulatory authority, the price of Natural Gas offered to Xi'an Zhongmin by Shaanxi Natural Gas will be adjusted accordingly.

In order to assess the fairness and reasonableness of the price of Natural Gas set under the Natural Gas Supply Agreement, we have reviewed the relevant pricing guidance issued by the Shaanxi Provincial Price Bureau and noted that such price is in compliance with the said pricing guidance. We have also reviewed the historical agreements, in respect of sales and purchase of Natural Gas entered into between the two parties, especially the natural gas supply agreement entered between Xi'an Zhongmin and Shaanxi Natural Gas on 22 May 2013 ("**May Natural Gas Supply Agreement**"), and noted that the pricing policy of the Natural Gas Supply Agreement are consistent with the previous natural gas supply agreements entered between two parties, which were also in compliance with the pricing guidance issued by the regulatory body, as under the Natural Gas Supply Agreement were agreed among them. We understand from the Company that the basis of the price determination of Natural Gas agreed under the Natural Gas Supply Agreement is in line with their historical transactions and business practice with Shaanxi Natural Gas.

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The Directors advised that Shaanxi Natural Gas is the sole supplier of Natural Gas of Xi'an Zhongmin and possesses a dominated market position in the Shaanxi Natural Gas industry, no information is available for a comparison between the price of Natural Gas offered by Shaanxi Natural Gas and that of other Independent Third Parties. In order to further assess the fairness and reasonableness of the price of Natural Gas, we have reviewed the price of Natural Gas supplies in the PRC according to the public information and the annual report of Shaanxi Natural Gas for the year ended 31 December 2012 and noted that the revenue recognition generated from the sales of Natural Gas was in accordance with the aforesaid pricing guidance released by the Shaanxi Provincial Price Bureau. We noted that the price of Natural Gas offered to Xi'an Zhongmin was no less favourable than and comparable to that Shaanxi Natural Gas offered to its connected parties in the same province within the same time.

In the view that (i) the price determination of Natural Gas under the Natural Gas Supply Agreement is within the average price of Natural Gas in the PRC as set by NDRC and will be in accordance with the pricing guidance set by the Shaanxi Provincial Price Bureau, which represents a remarkable benchmark for the price of Natural Gas in the Shaanxi Province; (ii) the Natural Gas Supply Agreement follows the same pricing basis for the sales and purchase of Natural Gas as the historical transactions between both parties; (iii) Shaanxi Natural Gas will consistently apply such pricing policy for all future supply of Natural Gas to Xi'an Zhongmin under the Natural Gas Supply Agreement; (iv) the latest annual report in 2012 of Shaanxi Natural Gas indicated that the price of Natural Gas offered to Xi'an Zhongmin was comparable to and no less favourable than that Shaanxi Natural Gas offered to others; (v) the pricing policies of the Natural Gas Supply Agreement are consistent with the previous natural gas supply agreement between both parties and (vi) the terms under the Natural Gas Supply Agreement were agreed between both parties on normal commercial basis, we therefore concur with the Directors' view that the price of Natural Gas to be purchased under the Natural Gas Supply Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(ii) Basis of the Annual Caps

As noted from the Letter from the Board, Xi'an Zhongmin and Shaanxi Natural Gas have agreed that the transaction amount under the Natural Gas Supply Agreement and apply for the annual cap for the transactions between Xi'an Zhongmin and Shaanxi Natural Gas for the three years ending 31 December 2016 ("**Annual Caps**") as follows:

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Annual cap for the transactions for each of the three years ending 31 December 2016

Years/1 January – 31 December	Users	Volume (‘000m ³)	RMB’000	Approximately HK\$’000
2014	Commercial	25,500	121,603	154,873
	Non-commercial	52,690		
		78,190		
2015	Commercial	26,000	140,015	178,323
	Non-commercial	64,480		
		90,480		
2016	Commercial	26,500	162,421	206,859
	Non-commercial	78,950		
		105,450		

According to the Letter from the Board, the Annual Caps were determined after taking into account, mainly in the aspects of (i) the historical transaction amounts between Xi’an Zhongmin and Shaanxi Natural Gas in respect of the sales and purchase of Natural Gas; and (ii) the projected demand for Natural Gas from Xi’an Zhongmin in the market for the three years ending 31 December 2016.

- *Historical transaction amounts for the purchase of Natural Gas*

We understand from the Directors that Natural Gas purchased by Xi’an Zhongmin from Shaanxi Natural Gas is delivered to two types of end users, the urban households and the commercial and industrial users, in Shaanxi Province, under different sales price owing to the cost of delivery of Natural Gas incurred.

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The historical transaction amounts in respect of purchase of Natural Gas from Shaanxi Natural Gas by Xi'an Zhongmin for the two years ended 31 December 2011 and 2012 and the nine months period ended 30 September 2013 are approximately RMB 73.20 million, RMB 82.63 million and RMB 61.19 million respectively.

For illustration in the financial years ended 31 March 2011, 2012 and 2013 and six months period ended 30 September 2013 of the Company, the historical transaction volumes and amounts in respect of purchase of Natural Gas from Shaanxi Natural Gas by Xi'an Zhongmin are summarised as follows:

	For the year ended 31 March			For the six months ended
	2011	2012	2013	30 September 2013
	'000 m ³	'000 m ³	'000 m ³	'000 m ³
Purchase of Natural Gas (in volume)	45,334	50,032	54,242	19,224
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)
Purchase of Natural Gas (in monetary value)	64,334	78,243	85,860	30,909

As illustrated above, we noted that the volumes of Natural Gas purchased by Xi'an Zhongmin from Shaanxi Natural Gas increased by about 10.36% from the financial year ended 31 March 2011 to the financial year ended 31 March 2012 and increased by about 8.41% from the financial year ended 31 March 2012 to the financial year 31 March 2013. In terms of the monetary value of Natural Gas purchased, the transaction amounts increased from approximately RMB64.33 million (equivalent to approximately HK\$81.93 million) for the year ended 31 March 2011 to approximately RMB78.24 million (equivalent to approximately HK\$99.65 million) for the year ended 31 March 2012, representing an increase of approximately 21.62% and increased from approximately RMB78.24 million (equivalent to approximately HK\$99.65 million) for the year ended 31 March 2012 to approximately RMB 85.86 million (equivalent to approximately HK\$109.35 million) for the year ended 31 March 2013, representing an increase of approximately 9.74% in amount of Natural Gas purchased. We note that the volume and the amount of Natural Gas purchased by Xi'an Zhongmin from Shaanxi Natural Gas for the six months ended 30 September 2013 were

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19,224,000 m³ and approximately RMB30.91 million which was approximately 47.46% in the volume of 40,500,000 m³ and was approximately 46.45% in the amount of RMB66.55 million in the annual cap for the May Natural Gas Supply Agreement. The Directors advised that the Natural Gas purchased during the 4th quarter of 2011 and 2012 contributed approximately 31.69% and 32.66% respectively of the total Natural Gas purchased by Xi'an Zhongmin from Shaanxi Natural Gas in these two years. Therefore, the Directors expect that the consumption of Natural Gas in the 4th quarter of 2013 will pick up and increase significantly during autumn and winter of 2013.

We have reviewed the governmental documents issued by the Shaanxi Provincial Price Bureau in 2006 and 2010, which cover the pricing guidance on Natural Gas in the Shaanxi Province prior to and after 20 October 2010 respectively. It is noted that the cost of Natural Gas incurred by Xi'an Zhongmin had been increased by approximately 18.3% and 24.3% for that delivered to urban households and commercial and industrial users respectively after the release of the regulatory pricing guidance of Natural Gas in the late 2010. We note that the Notice 1246 (2013) issued by NDRC further allowed the increase of the price Natural Gas with effective from 10 July 2013 in order to stimulus supplies of Natural Gas in the PRC. The Directors advised that, other than the upraised price in 2010, the strong historical growth of the purchase was mainly attributable to (i) the national policies to encourage and promote the use of Natural Gas in the PRC as an environment concern; (ii) the potential investment for the development of Natural Gas infrastructure by the PRC Government; (iii) the increasing demand for Natural Gas and energy resources in the PRC driven by the enhanced pipeline construction in cities and the steady acceleration of industrialization; and (iv) the enlarged customer base resulted from the efforts placed by the management of Xi'an Zhongmin in development connection with customers. The Directors expect that, given the favourable historical growth in Xi'an Zhongmin's results of operations and leveraging to the great support by the nation to the Natural Gas industry, such growth will likely to continue and in a stronger way in the coming three years ending 31 December 2016.

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- *Demand for Natural Gas from Xi'an Zhongmin in the market*

We understand from the Directors that, in determination of the Annual Caps, the Company expected that the pricing policies set by the regulatory authority in the Shaanxi Province would remain in the same manner within a short timeframe (i.e. by the end of 2013). The Directors, by taking into account (i) the increased historical transaction volumes and amounts of Natural Gas purchased from Shaanxi Natural Gas and the underlying reasons for such growth as abovementioned; (ii) the expected demand for Natural Gas within the province and the projected volumes of Natural Gas to be purchased for the period covered under the Natural Gas Supply Agreement, consider that the future transaction amount could be generated stronger than the corresponding period of previous years.

In order to assess the reasonableness of the growth of the Annual Caps, we have reviewed the historical monthly purchase of Natural Gas by Xi'an Zhongmin from Shaanxi Natural Gas and compared the transaction volume and amount of the corresponding period of in 2012 and 2013 and then compared with the Annual Cap for the year ending 31 December 2014. It is noted that the purchase volume and amount for the year ended 31 December 2012 were approximately 52,720,000 m³ and approximately RMB82.63 million respectively. We are advised by the Directors that the purchase volume and amount for the year ending 31 December 2013 is estimated to approximately 60,026,000 m³ and approximately RMB96.83 million respectively. In comparing between the year ended 31 December 2012 and the year ending 31 December 2013, there is a growth in the purchase volume and transaction value by 13.86% and 17.19% respectively. The expected growth rate of annual cap for purchase volume of Natural Gas for the three years ending 31 December 2014, 2015 and 2016 are 30.26%, 15.72% and 16.55% respectively. The expected increase of transaction value for the three years ending 31 December 2014, 2015 and 2016 are 25.58%, 15.14% and 16.00% respectively

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We are advised by the Directors that the high growth rate for the annual cap in the year ending 31 December 2014 is arrived after taking into account of (i) the expected growth of demand for Natural Gas following the “Twelfth Five-Year” Plan of National City Gas Development announced by the PRC Government in June 2012 (“**Twelfth Five-Year Plan**”), (ii) the potential business opportunities with the National Aviation Hi-tech Industrial Base in Xi’an, which is a development zone focusing on aviation industry in the PRC being highly valued and supported by national, provincial and municipal governments, and (iii) the expected new supplies to new gas station of Fu Ping County through the supplies to Fu Ping Zhongmin Gas Co., Ltd. which is an indirect non wholly-owned subsidiary of the Company during 2014. The expect growth rate for the annual cap for the years ending 31 December 2015 and 2016 are in line with the average growth rate in the year ended 31 December 2012 and the year ending 31 December 2013.

We noted from the Twelfth Five-Year Plan that the PRC Government would vigorously promote the development and use of Natural Gas as primary consumption of urban gas in the PRC, including the use of Natural Gas vehicles in cities, aimed at developing a healthier urban gas industry and an improvement in energy utilisation in cities. According to People’s Daily (or namely Renmin Ribao), a renowned daily newspaper in the PRC, it is expected that Natural Gas consumption would be reached to around 9% of the national energy consumption, from the current of approximately 6%, by 2020, covering 31 provinces in the PRC.

We are advised by the Directors that the Group, leveraging to the great opportunities from the national support to and the potential growth of Natural Gas industry in the PRC, will continue to aggressively develop its business of the sales and distribution of Natural Gas across the border including the Shaanxi Province. In particular, benefited from the nation’s encouragement to the use of Natural Gas vehicles and the steady acceleration of industrialisation, it is expected that the consumption needs for Natural Gas by, particularly, the commercial and industrial users including the users of Natural Gas vehicles will likely to rise even stronger. Advantaged to the enlargement of gas pipeline connection under the Yangliang Gas Pipeline Project, the Directors are confident that the Company will be able to secure the stronger supply of Natural Gas from Shaanxi Natural Gas and to capture the increasing consumption demand in the region.

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Having considered (i) the significant growth in the historical financial performance of Xi'an Zhongmin for the three years ended 31 March 2013; (ii) the PRC Government's great support to the development of Natural Gas industry and the strong investment in Natural Gas infrastructure across provinces and cities, including the Shaanxi Province; (iii) the PRC Government's intention to consistently promote the use of Natural Gas in cities and the use of Natural Gas vehicles as indicated by the "Twelfth Five-Year" Plan of National City Gas Development; (iv) the increasing demand and consumption needs for Natural Gas in the PRC; and (v) the Group's intention to aggressively develop its Natural Gas business and Xi'an Zhongmin's capability to catch up with the future market demand in the distribution and supply of Gas Fuel, we are of the opinion that the projected purchase volume and amount of Natural Gas proposed under the Annual Caps are reasonably estimated and fair and reasonable.

III. Annual review of the Continuing Connected Transactions

The Company confirms that it will comply with Rule 14A.37 to Rule 14A.40 of the Listing Rules during the Period and the terms of the Natural Gas Supply Agreement, in particular:

- (a) the Company will assign the finance department to constantly monitor the Natural Gas purchased from Shaanxi Natural Gas that the Continuing Connected Transactions shall comply with the Company's pricing policies and not exceed the Annual Caps;
- (b) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts of the Company that such transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Company;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) Independent Third Parties; and
 - (iii) in accordance with the Natural Gas Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (c) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 Business Days prior to the bulk printing of the Company's annual report), confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Company;
 - (iii) have been entered into in accordance with the Natural Gas Supply Agreement governing the transactions; and
 - (iv) have not exceeded the Annual Caps disclosed;
- (d) the Board must state in the annual report of the Company whether its auditor have confirmed the matters stated in paragraph (c) above; and
- (e) upon any variation of renewal of the Natural Gas Supply Agreement, the Company will comply in full with all applicable reporting, annual review, disclosure and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Given the above, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions under the Natural Gas Supply Agreement and the interests of the Company and the Independent Shareholders under the Continuing Connected Transactions will be properly safeguarded.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the entering into of the Natural Gas Supply Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to the Natural Gas Supply Agreement.

Yours faithfully,
For and on behalf of
NEW SPRING CAPITAL LIMITED
Paul Lui
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long position in the shares of the Company

Name of Director	Personal interests (Note 1)	Family interests (Note 2)	Corporate interests (Note 3)	Number of underlying of shares held (Note 4)	Total	Approximately% of shareholding
Dr. Mo Shikang ("Dr. Mo")	427,841,375	–	1,135,000,000	750,000	1,563,591,375	26.92
Mr. Zhang Hesheng	227,788,793	–	–	7,500,000	235,288,793	4.05
Mr. Jin Song	–	–	–	7,500,000	7,500,000	0.13
Mr. Chu Kin Wang Peleus	–	9,840,000	–	7,000,000	16,840,000	0.29
Dr. Liu Junmin	–	–	–	2,700,000	2,700,000	0.05
Mr. Sin Ka Man	–	–	–	2,700,000	2,700,000	0.05

Notes:

- (1) This represents interests held by the relevant Directors as beneficial owner.
- (2) This represents interests legally and beneficially held by Ms. Woo Sau Kuen. She is the spouse of Mr. Chu Kin Wang Peleus.

- (3) This represents interests legally and beneficially held by Dr. Mo through Ping Da Development Limited with respect to 1,135,000,000 warrants issued by the Company to Ping Da Development Limited (“**Ping Da**”) pursuant to the warrants subscription agreement dated 8 April 2013.
- (4) This represents the options held by the respective Directors to subscribe for Shares. The options will be expired on 30 November 2013.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding ³ (%)
Yongheng Development Corporation Limited ¹ (“Yongheng Development”)	1,727,729,582 (L)	Beneficial owner	29.74
Mr. Yang Songheng	1,727,729,582 (L)	Interests in controlled corporation	29.74

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding ³ (%)
Mr. Yeung Paak Ching	1,727,729,582 (L)	Interests in controlled corporation	29.74
	600,000 (L)	Beneficial owner	0.01
			29.75
Ping Da ²	1,135,000,000 (L)	Beneficial owner	19.54

(L) = long position

Notes:

1. The entire issued share capital of Yongheng Development is legally, beneficially and equally owned by Mr. Yang Songheng and Mr. Yeung Paak Ching. They are brother and directors of Yongheng Development. On 8 April 2013, the Company and Yongheng Development entered into a settlement deed (as supplemented by a supplemental settlement deed dated 16 May 2013), details of which are disclosed in the circular of the Company dated 8 July 2013. The entire 1,727,729,582 Shares were held and dealt with by the escrow agent in accordance with the settlement arrangement as stipulated in the settlement deed.
2. The entire issued share capital of Ping Da is legally and beneficially owned by Dr. Mo. On 8 April 2013, the Company entered into a warrants subscription agreement with Ping Da pursuant to which the Company issued 1,135,000,000 warrants to Ping Da.
3. The percentage has been adjusted based on the total number of the issued Shares as at the Latest Practicable Date (i.e. 5,809,954,136 Shares).

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors, proposed directors and New Spring Capital has, or had had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2013, the date to which the latest published audited financial statements of the Company were made up. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
New Spring Capital	A licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity

New Spring Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, New Spring Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Company were made up (i.e. 31 March 2013), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 March 2013, being the date of which the latest audited financial statement of the Group were made up.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

9. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group;
- (b) The English text of this circular and the accompanying form of proxy shall prevail over their respective texts in case of inconsistency;
- (c) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda;
- (d) The principal place of business of the Company in Hong Kong is located at Unit 1101, 11th Floor, Tung Ning Building, 2 Hillier Street, Central, Hong Kong;
- (e) The company secretary of the Company is Ms. Li Fun Replen, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries; and
- (f) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, whose address is 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's office in Hong Kong at Unit 1101, 11th Floor, Tung Ning Building, 2 Hillier Street, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the Natural Gas Supply Agreement;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the written consents referred to in the paragraph headed "Experts and Consent" in this appendix;

- (d) the annual report of the Company for the year ended 31 March 2013;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 in this circular;
- (f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 30 in this circular; and
- (g) this circular.

NOTICE OF SGM



CHINESE PEOPLE HOLDINGS COMPANY LIMITED

中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Chinese People Holdings Company Limited (the “**Company**”) will be held at the head office of Chinese People Holdings Company Limited, Conference Room, 1st Floor, No. 36 BDA International Business Park, No. 2 Jingyuan North Street, Economic Technological Development Area, Beijing, 100176, China on 23 December 2013 at 1:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the natural gas supply agreement (the “**Natural Gas Supply Agreement**”) dated 12 November 2013 and entered into between 西安中民燃氣有限公司 (for identification purpose only, Xi'an Zhongmin Gas Co., Ltd.) (“**Xi'an Zhongmin**”) and 陝西省天然氣股份有限公司 (for identification purpose only, Shaanxi Provincial Natural Gas Co., Ltd.) (“**Shaanxi Natural Gas**”) in relation to the purchase of natural gas from Shaanxi Natural Gas by Xi'an Zhongmin for a term commencing from 1 January 2014 to 31 December 2016, a copy of which has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (b) any one director of the Company be and is hereby authorised to do all such things and acts of administrative nature as he may in his discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Natural Gas Supply Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Natural Gas Supply Agreement.”

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

Hong Kong, 28 November 2013

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office:

No. 36 BDA International
Business Park
No. 2 Jingyuan North Street
Economic Technological
Development Area
Beijing, 100176, China

*Principal Place of Business in
Hong Kong:*

Unit 1101, 11th Floor,
Tung Ning Building,
2 Hillier Street, Central,
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the SGM.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the SGM.