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中國基礎能源控股有限公司
China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8117)

**MAJOR TRANSACTION:
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY
AND
RESUMPTION OF TRADING**

On 27 December 2019 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for a total cash consideration of RMB82,200,000. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

As the relevant percentage ratio(s) exceed 25% but below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

At the request of the Company, trading in the Shares on the GEM was halted from 9:00 a.m. on 30 December 2019 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares on the GEM with effect from 9:00 a.m. on 31 December 2019.

THE DISPOSAL

On 27 December 2019 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for a total cash consideration of RMB82,200,000.

Sale and Purchase Agreement

Date: 27 December 2019 (after trading hours)

Parties: (1) Vendor : 中基天谷(宜昌)複合材料有限公司 (China Primary Sky Valley (Yichang) Composites Co., Ltd.)#
(2) Purchaser : 繁昌縣南添電力有限公司 (Fanchang County Nantian Electricity Company Limited)#

The Vendor is a limited liability company established in the PRC and the indirect wholly owned subsidiary of the Company. The Vendor holds 83% registered and paid up capital of the Target Company.

The Purchaser is a company established in the PRC and is principally engaged in electricity, heat and cold related infrastructure investment and operations and relevant and construction and management of natural gas supply pipelines. The ultimate beneficial owners of the Purchaser are Ms. Li Lei# (李蕾) (90%) and Mr. Shi Linghang# (史領航) (“**Mr. Shi**”) (10%) respectively. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

Before Completion, the Target Company has a registered and paid up capital of RMB50,000,000 which is owned as to 83% by the Vendor and the remaining 17% by Mr. Shi.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Capital, representing 83% equity interest in the Target Company.

Consideration

The total cash consideration for the Disposal is RMB82,200,000, which shall be payable by the Purchaser to the Vendor in the following manner:

- (1) within 20 working days from the date of the Sale and Purchase Agreement, the Purchaser shall pay a sum of RMB26,000,000 (the “**First Payment**”);
- (2) within 5 working days from the date of obtaining the Shareholders’ approval approving the Disposal and the transactions contemplated thereunder, the Purchaser shall pay a sum of RMB30,000,000 (the “**Second Payment**”);
- (3) within 20 working days from the date of Completion, the Purchaser shall pay the remaining balance of RMB26,200,000.

The consideration for the Disposal was determined with reference to the financial position of the Target Company and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the terms of the Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Condition precedent

The Disposal shall be subject to the condition precedent that the Sale and Purchase Agreement having obtained the Shareholders' approval and relevant regulatory approval (including but not limited to the issue of this announcement and the Shareholders' approval) and compliance with the relevant GEM Listing Rules requirements.

In the event that the condition cannot be fulfilled within 120 days from the date of the Sale and Purchase Agreement (or such later period as the parties may agree in writing), the Sale and Purchase Agreement shall be terminated and the Vendor shall within 5 working days thereunder return all payments made by the Purchaser under the Sale and Purchase Agreement.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital with the relevant PRC authority, which shall be completed within 5 working days after receiving the Second Payment. Upon receipt of the Second Payment by the Vendor, the Purchaser shall be entitled to nominate individuals to co-manage the Target Company with the Vendor till Completion.

Upon receiving the remaining balance of the consideration, the Vendor shall deliver all the relevant documents, chops and seals of the Target Company in the possession of the Vendor to the Purchaser.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have interests in the Target Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in transmission and distribution of natural gas. Before Completion, the Target Company has a registered and paid up capital of RMB50,000,000, which is owned as to 83% by the Vendor and the remaining 17% by Mr. Shi.

The unaudited financial information of the Target Company for the two years ended 31 December 2017 and 31 December 2018 and prepared in accordance with the accounting principles generally accepted in the PRC are as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	13,993	22,840
Net loss before taxation	5,515	11,384
Net loss after taxation	5,515	11,384
Net asset value	40,330	28,945

REASONS FOR THE DISPOSAL

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, trading of electronic components and property investment primarily in the PRC.

Based on the unaudited management accounts of the Target Company as at 30 November 2019, it is estimated that upon Completion, the Group will record a gain of approximately HK\$57,601,000 on the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal, the net proceeds of approximately HK\$56,801,000 is expected to be applied towards the general working capital and business development of the Group.

The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources to develop the other existing natural gas companies. As mentioned in the 2019 interim report of the Company, the natural gas business is the core business of the Group. The Disposal is in line with the target as resources, both financial and manpower, will be used to develop those natural gas companies of the Group with better prospects and results.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratio(s) exceed 25% but below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

An EGM will be convened and held for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder is involved in or interested in the Sale and Purchase Agreement and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (1) details of the Disposal and the transactions contemplated thereunder; and (2) a notice of the EGM will be despatched to the Shareholders on or before 31 January 2020 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the GEM was halted from 9:00 a.m. on 30 December 2019 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares on the GEM with effect from 9:00 a.m. on 31 December 2019.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	board of the Directors
“Company”	China Primary Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM
“Completion”	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Capital as contemplated under the Sale and Purchase Agreement

“EGM”	the extraordinary general meeting of the Company to be held and convened for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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 not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the GEM Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	繁昌縣南添電力有限公司 (Fanchang County Nantian Electricity Company Limited)#, a limited liability company established in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase Agreement dated 27 December 2019 and entered into between the Purchaser and the Vendor in respect of the Disposal
“Sale Capital”	83% registered capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.0625 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	蕪湖中基天然氣管道有限公司 (Wuhu China Primary Natural Gas Pipeline Company Limited)#, a limited liability company established in the PRC

“Vendor”	中基天谷(宜昌)複合材料有限公司 (China Primary Sky Valley (Yichang) Composites Co., Ltd.)#, a limited liability company established in the PRC, being an indirect wholly owned subsidiary of the Company and the registered holder of 83% of the registered capital of the Target Company before Completion
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
China Primary Energy Holdings Limited
Ma Zheng
Chairman

Hong Kong, 30 December 2019

The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

As at the date of this announcement, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the Company’s designated website at <http://china-p-energy.etnet.com.hk>.