
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Primary Energy Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 IN RELATION TO
DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 3 March 2020 at 11:00 a.m. is set out on pages 17 to 18 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

13 February 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Announcement”	the Company’s announcement dated 30 December 2019 in relation to Disposal of equity interest in the Target Company
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“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
“core 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
“Latest Practicable Date”	10 February 2020, being the latest practicable date for ascertaining certain information contained in this circular

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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.

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

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. MA Zheng (*Chairman*)

Mr. WONG Pui Yiu

Non-executive Director:

Mr. JI Jianghua

Independent non-executive Directors:

Mr. WAN Tze Fan Terence

Mr. CHUNG Chin Keung

Mr. WANG Xiao Bing

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Office:

Suite 701, Ocean Centre

5 Canton Road

Tsim Sha Tsui

Kowloon

Hong Kong

13 February 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

Reference are made to the Announcement, pursuant to which the Board announces that 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. Reference is also made to the supplemental announcement of the Company dated 7 January 2020 which provide further details relating to the Disposal.

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 are subject to the Announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with details regarding the Disposal and the transactions contemplated thereunder in accordance with the GEM Listing Rules. A notice of the EGM is set out on pages 17 to 18 of this circular.

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.

The 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 Purchaser is a customer of the Target Company. 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. As disclosed in the announcement of the Company dated 17 December 2014, the Group entered into an acquisition agreement with Mr. Shi as vendor, pursuant to which Mr. Shi disposed of 75% of the registered capital of the Target Company (which was named as 蕪湖盛譽騰天然氣管道有限公司 (Wuhu Shengyuteng Natural Gas Pipeline Company Limited)# as at that material time) for a cash consideration of RMB37,500,000. In 2019, the Group further acquired 8% registered capital of the Target Company from 深圳市天氫實業有限公司 (Shenzhen Tianqing Enterprise Co., Ltd.)#, Independent Third Party (which had no relationship with the Purchaser and its ultimate beneficial owners) for a cash consideration of RMB12.0 million. Based on the information available to the Company, 深圳市天氫實業有限公司 (Shenzhen Tianqing Enterprise Co., Ltd.)# is wholly owned by Ms. Wang Reng Hong# (王仍紅). 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. Save as disclosed above and save for the Purchaser is a customer of the Target Company and Mr. Shi who is also a minority shareholder of the Target Company, (a) the Company and its associates; and (b) the Purchaser and its ultimate beneficial owners and associates, (1) had no other historical business relationships; and (2) have no other agreement, arrangement or understanding (either in written or verbal form, explicit or implied).

Assets to be disposed

As at the date of the Sale and Purchase Agreement, 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.

LETTER FROM THE BOARD

Consideration

The total cash consideration for the Disposal is RMB82,200,000 (equivalent to approximately HK\$92.4 million), 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 Purchaser is a customer of the Target Company and has utilised natural gas for generating electricity in its electricity plant in Fanchang area. The Target Company is the sole natural gas supplier of the Purchaser. In order to ensure stable supply of natural gas, the Company understands the Purchaser would like to have its own natural gas transmission company. As a result, the negotiation between the Purchaser and the Vendor is under the situation that the Purchaser has considered the costs of building alternative long natural gas pipes (which would be relatively high) and the Vendor would like to maximize its return. Based on the above factors, 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 the 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.

LETTER FROM THE BOARD

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 RMB'000	For the year ended 31 December 2018 RMB'000
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 AND USE OF PROCEEDS

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\$57.6 million on the Disposal, which is based on the consideration of HK\$92.4 million, less HK\$39.0 million net asset value of the Target Company, plus HK\$5.4 million of non-controlling interest, less HK\$1.2 million exchange variance. The estimated amount of the unaudited net asset value of the Target Company as at 30 November 2019 amounts to approximately RMB35.2 million (equivalent to approximately HK\$39.0 million). 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 (including the relevant legal costs and printing expenses of total approximately HK\$800,000), the net proceeds from the Disposal would be approximately HK\$91.6 million. The net proceeds from the Disposal of approximately HK\$91.6 million are expected to be applied towards as follows:

- (a) approximately HK\$60.0 million to repay the five-year 4.5% coupon unlisted convertible bonds in the principal amount of HK\$60,000,000 issued by the Company in 2015 as disclosed in the announcement of the Company dated 17 February 2015;

LETTER FROM THE BOARD

- (b) as to approximately HK\$14.9 million towards the operating costs of the head office of the Group for the year ending 31 December 2020, which mainly comprise HK\$10.7 million for salaries and director remunerations, HK\$3.7 million for rental expenses, HK\$0.2 million for insurance and HK\$0.3 million for printing expenses; and
- (c) the remaining balance of approximately HK\$16.7 million to business development of the Group, of which as to approximately HK\$16.7 million towards the development and construction of the transmission and distribution natural gas business of the Group in Yichang area.

The Company has considered the financial position of the Target Company, in particular its net asset value, in determining the consideration for the Disposal. As disclosed in the Announcement, the net asset values of the Target Company as at 31 December 2017 and 31 December 2018 were approximately RMB40,330,000 and RMB28,945,000 respectively. The consideration amount represents premium to those net asset values. As such, the Company is of the view that the consideration for the Disposal is fair and reasonable.

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.

The energy segment of the Group mainly consists of the natural gas business. The Group has developed a strong natural gas sales network and staff team. The sales network is still expanding and the Company continues looking for adequate locations to expand. With the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business.

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.

FINANCIAL EFFECT OF THE DISPOSAL

Following Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will cease to be consolidated into those of the Company. The gain on the Disposal of approximately HK\$57.6 million will be recognised at the Group level upon Completion subject to final audit to be performed by the Company's auditors. As a result of the Disposal, it is expected that the Group would record an increase of approximately HK\$52.2 million on its net assets, an increase of approximately HK\$27.5 million on its total assets and a decrease of approximately HK\$24.7 million on its total liabilities, subject to final audit to be performed by the Company's auditors. As such, the Board considers that the Disposal will have a positive impact on the net asset value of the Group.

LETTER FROM THE BOARD

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.

EGM

A notice convening the EGM of the Company to be held at Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 3 March 2020 at 11:00 a.m. is set out on pages 17 to 18 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. (Hong Kong time) on Sunday, 1 March 2020) or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution approving the Disposal and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for (i) the year ended 31 December 2016 is disclosed in the annual report of the Company for the year ended 31 December 2016 published on 30 March 2017, from pages 62 to 155; (ii) the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 28 March 2018, from pages 76 to 174; (iii) the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 28 March 2019, from pages 70 to 176; and, (iv) the six months ended 30 June 2019 is disclosed in the interim report of the Company for the six months ended 30 June 2019 published on 13 August 2019 from pages 3 to 27, all of which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://china-p-energy.etnet.com.hk>).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

From 2019 onwards, the Board believes that the Group will perform much better with the expansion and concentration of resources of the energy segment, the trading segment and the property investment segment. Currently, the energy segment mainly consists of the natural gas business. The Group has developed a strong natural gas sales network. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will continue be the core business segment of the Group in the near future.

The natural gas business is the core business of the Group. Operating scale of the natural gas business segment continued to grow in 2019. In view of the PRC government has implemented the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. The Group operated the natural gas business in various areas and provinces in the PRC in 2019. Our customers are mostly industrial customers. With the Group's years of investment, experience and network in the natural gas business, the Group has been making good use of natural gas synergy effect in its business development, and has been focusing on natural gas-related clean energy projects. Natural gas combined heat and power cogeneration business is one of the Group's development direction. After years of research and negotiation, the Group has commenced its investment in natural gas combined heat and power cogeneration plant. The Group believes that with the current natural gas business, the development of natural gas combined heat and power cogeneration business and other natural gas-related clean energy businesses, it is expected that the Group's performance and profitability will be greatly improved in the future.

As a result of business transformation of the subsidiaries in Yichang, the manufacturing segment ceased to operate in the third quarter of 2018. In order to broaden the revenue sources of the Group, after years of investigation, the Group started its letting business in Yichang since 2017. The land and properties in Yichang City will continue to be let out to generate rental income.

In view of the unstable global political environment, the Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

3. INDEBTEDNESS

At the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK\$159.8 million, which comprised:

- (i) bank and other borrowings approximately HK\$59.10 million, which were secured by (a) certain investment properties and land use rights of the subsidiaries of the Company; (b) properties of a major shareholder of the Company and her related party; (c) guarantees of a major shareholder of the Company; (d) guarantees of two directors and a key management of the subsidiaries of the Company; (e) guarantees of two Independent Third Parties; (f) guarantees of certain subsidiaries of the Company; and (g) rental receivables from a subsidiary of the Company;
- (ii) obligations under finance leases approximately HK\$4.8 million, which were secured by (a) guarantee of a major shareholder of the Company; (b) guarantee of a director of subsidiary of the Company and (c) guarantee of a subsidiary of the Company;
- (iii) loans from a major shareholder approximately HK\$35.9 million; and
- (iv) principal amount of convertible bonds approximately HK\$60.0 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payable and accruals and other payables in the ordinary course of business, at the close of business on 31 December 2019, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, so far as was known to the Directors, there are no any material adverse change in the financial or trading position of the Group as at 31 December 2018, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 is 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) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, 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) (i) which were required 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(i) Long position in the Shares:

Name of Director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	371,051,632	36.24%

(ii) Long position in the underlying shares or debentures of the Company:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share options (Note)	820,000	0.08%
Mr. Wong Pui Yiu	Beneficial	Share options (Note)	3,500,000	0.34%
Mr. Wan Tze Fan Terence	Beneficial	Share options (Note)	700,000	0.07%
Mr. Chung Chin Keung	Beneficial	Share options (Note)	700,000	0.07%
Mr. Wang Xiao Bing	Beneficial	Share options (Note)	700,000	0.07%

Note: On 10 April 2015, a total of 6,420,000 share options were granted to Directors as to 820,000 share options to Ms. Ma Zheng, as to 3,500,000 share options to Mr. Wong Pui Yiu, as to 700,000 share options to Mr. Wan Tze Fan Terence, as to 700,000 share options to Mr. Chung Chin Keung and as to 700,000 share options to Mr. Wang Xiao Bing. For further details of the share options granted, please refer to the announcement dated 10 April 2015 of the Company.

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

So far as is known to the Directors, 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:

(i) Long position in the Shares:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	123,867,678	12.10%
Tung Shing Energy Investment Limited	Corporate	123,867,678	12.10%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	12.10%
Mr. Ji Shengzhi	Corporate	110,000,000	10.74%
Ms. Lu Ke	Corporate	110,000,000	10.74%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	10.74%
萬科企業股份有限公司	Corporate	93,089,767	9.09%
成都萬科房地產有限公司	Corporate	93,089,767	9.09%
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Company Limited	Beneficial (Note 3)	93,089,767	9.09%

Notes:

- Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.
- Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.
- Winmaxi (BVI) Company Limited (“Winmaxi”) is a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of China Vanke Co., Ltd.# (萬科企業股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited.

Winmaxi is wholly-owned by Winsteria (BVI) Company Limited, which in turn is wholly-owned by Chogori Investment (Hong Kong) Limited, which in turn is wholly-owned by 成都萬科房地產有限公司, while 成都萬科房地產有限公司 is a controlling subsidiary of 萬科企業股份有限公司.

(ii) Long position in the underlying shares or debentures of the Company:

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Golden Peak Minerals Limited	Beneficial	Convertible Bonds in the principal amount of HK\$60,000,000 (Note)	60,000,000	5.86%

Note:

On 17 February 2015, the Company entered into the conditional subscription agreement with Golden Peak Minerals Limited (the “**CB Subscriber**”), a company incorporated in the British Virgin Islands with limited liability, pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK\$60,000,000 (the “**Convertible Bonds**”). Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company. As at the date of this circular, Golden Peak Minerals Limited is jointly owned by Mr. He Xiaoyang and Mr. Yao Ge, both are independent third parties.

The Convertible Bonds were issued on 8 May 2015.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there are no other person (other than the Directors and the chief executive of the Company) who had, or was 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 was 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.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. 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.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contract(s) (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the subscription agreement dated 12 February 2018 and entered into between the Company as issuer and Winmaxi (BVI) Company Limited as subscriber in relation to the subscription of 93,089,767 new subscription Shares at the subscription price of HK\$0.8183 per Share;
- (ii) the subscription agreement dated 12 February 2018 and entered into between the Company as issuer and Asia Bravo Limited as subscriber in relation to the subscription of 23,900,000 new subscription Shares at the subscription price of HK\$0.8183 per Share, which has lapsed as announced in the announcement of the Company dated 3 April 2018; and
- (iii) the Sale and Purchase Agreement.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal office of the Company in Hong Kong is Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Wong Chun Sing. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (e) The compliance officer of the Company is Mr. Wong Pui Yiu. He has several years of experience in business administration and corporate management. Before joining the Group, he was the general manager of Smart Honest Group Limited, a distributor of semiconductors.
- (f) The Company's audit committee (the "**Audit Committee**") currently comprises all three independent non-executive Directors, namely, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. The primary duties of the Audit Committee are, among others, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. All members of the Audit Committee have appropriate professional qualifications, accounting and financial management expertise as required under the GEM Listing Rules. For further information in relation to the background and directorships (and past directorships), if any, of members of the Audit Committee, please refer to the 2018 annual report of the Company dated 21 March 2019.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (c) the material contracts referred to under the paragraph "Material contracts" in this appendix; and
- (d) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of China Primary Energy Holdings Limited (the “**Company**”) will be held at Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 3 March 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

“THAT

- (a) the conditional sale and purchase agreement dated 27 December 2019 (the “**Sale and Purchase Agreement**”) entered into between 中基天谷(宜昌)複合材料有限公司 (China Primary Sky Valley (Yichang) Composites Co., Ltd.)# (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company as vendor and 繁昌縣南添電力有限公司 (Fanchang County Nantian Electricity Company Limited)# (the “**Purchaser**”) as purchaser in relation to, among others, the sale and purchase of 83% of the registered and paid-up capital of 蕪湖中基天然氣管道有限公司 (Wuhu China Primary Natural Gas Pipeline Company Limited)# (the “**Target Company**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more director(s) of the Company (the “**Director(s)**”) be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry out and implement the Sale and Purchase Agreement and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Sale and Purchase Agreement.”

For identification purpose only

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

Hong Kong, 13 February 2020

NOTICE OF EGM

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Office:

Suite 701, Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or members intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 11:00 a.m. (Hong Kong time) on Sunday, 1 March 2020 or not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be Wednesday, 26 February 2020. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 26 February 2020.
6. The voting on all resolution(s) at the EGM will be conducted by way of poll.