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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)

**DISCLOSEABLE TRANSACTION:
DISPOSALS OF EQUITY INTERESTS IN TWO PRC SUBSIDIARIES**

On 26 April 2021 (after trading hours), the Vendor entered into the Sale and Purchase Agreement A with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital A for a cash consideration of RMB42,072,200. Upon completion of the Sale and Purchase Agreement A, the Target Company A will cease to be a subsidiary of the Company and the financial results of the Target Company A will no longer be consolidated into the financial statements of the Group.

On 26 April 2021 (after trading hours), the Vendor entered into the Sale and Purchase Agreement B with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital B for a cash consideration of RMB532,875. Upon completion of the Sale and Purchase Agreement B, the Target Company B will remain as a 51% owned subsidiary of the Company and the financial results of the Target Company B will continue to be consolidated into the financial statements of the Group.

As the applicable percentage ratio(s) are more than 5% but less than 25%, the Disposals constitute a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

THE DISPOSALS

On 26 April 2021 (after trading hours), the Vendor entered into the Sale and Purchase Agreements with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capitals for an aggregate consideration of RMB42,605,075.

Sale and Purchase Agreement A

Date: 26 April 2021 (after trading hours)

Parties: (1) Vendor: 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited)[#]

(2) Purchaser: 北京京能清潔能源電力股份有限公司 (Beijing Jingneng Clean Energy Co., Limited)

The Vendor is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Before Completion, the Vendor is the registered holder of 100% of the registered capital of the Target Company A.

The Purchaser is a joint stock company incorporated in the PRC with limited liability and is a listed company on the Stock Exchange with stock code 579. 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 of the Sale and Purchase Agreement A, the Target Company A has a registered and paid up capital of RMB40,000,000, which is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement A, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Capital A, representing 90% equity interest in the Target Company A.

Consideration

The consideration for the disposal of Sale Capital A is RMB42,072,200, which shall be payable by the Purchaser in the following manner:

- (A) as to RMB1,000,000 shall be payable by the Purchaser within thirty working days from the effective date of the Sale and Purchase Agreement A;
- (B) as to RMB25,998,673.25 shall be settled by the Purchaser within thirty working days upon completion of relevant registration of transfer of Sale Capital A with the relevant PRC authority and obtaining the approval documents of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), the holding company of the Purchaser, on the reference assessed value of Sale Capital A and the Vendor shall pay the same amount to the Target Company A upon receipt of such sum for settlement of intra-group indebtedness; and
- (C) as to the remaining balance of the consideration shall be paid by the Purchaser to the Vendor within thirty working days after settlement of consideration (B) above.

The consideration for the disposal of Sale Capital A shall be subject to adjustment with reference to the reference assessed value of Sale Capital A provided by the Purchaser. In the event that the final reference assessed value of Sale Capital A would be less than RMB42,072,200, the consideration for the disposal of Sale Capital A shall be adjusted downward accordingly. For the avoidance of doubt, there shall be no upward adjustment to the consideration.

The consideration for the disposal of Sale Capital A was determined with reference to the net asset value of the Target Company A and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement A. The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement A (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.

Conditions

The Sale and Purchase Agreement A is not subject to any conditions precedent. The Sale and Purchase Agreement A is not conditional upon the Sale and Purchase Agreement B and vice versa.

Effective Date

The Sale and Purchase Agreement A shall be effective from the date of duly signing and sealing of the Sale and Purchase Agreement A by the parties thereto in compliance with the relevant laws and regulations.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital A with the relevant PRC authority, which shall be completed within five working days from the date of receipt of the deposit by the Vendor.

Upon completion of the Sale and Purchase Agreement A, the Target Company A will cease to be a subsidiary of the Company and the financial results of the Target Company A will no longer be consolidated into the financial statements of the Group. The Vendor will continue to hold 10% equity interests in the Target Company A upon completion of the Sale and Purchase Agreement A.

Sale and Purchase Agreement B

Date: 26 April 2021 (after trading hours)

Parties: (1) Vendor: 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited)#

(2) Purchaser: 北京京能清潔能源電力股份有限公司 (Beijing Jingneng Clean Energy Co., Limited)

Assets to be disposed

Before completion of the Sale and Purchase Agreement B, the Target Company B has a registered capital of RMB35,000,000 and a nil paid up capital and the Target Company B is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement B, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Capital B, representing 49% equity interest in the Target Company B.

Consideration

The consideration for the disposal of Sale Capital B contemplated under the Sale and Purchase Agreement B shall be RMB532,875, which shall be payable by the Purchaser within thirty working days from the date of the completion of the Sale and Purchase Agreement B. The consideration for the disposal of Sale Capital B shall be subject to adjustment with reference to the reference assessed value of Sale Capital B provided by the Purchaser. In the event that the final reference assessed value of Sale Capital B would be less than RMB532,875, the consideration for the disposal of Sale Capital B shall be adjusted downward accordingly. For the avoidance of doubt, there shall be no upward adjustment to the consideration.

The consideration for the disposal of Sale Capital B was determined with reference to the net asset value of the Target Company B and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement B. The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement B (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.

Conditions

The Sale and Purchase Agreement B is not subject to any conditions precedent. The Sale and Purchase Agreement B is not conditional upon the Sale and Purchase Agreement A and vice versa.

Effective Date

The Sale and Purchase Agreement B shall be effective from the date of duly signing and sealing of the Sale and Purchase Agreement B by the parties thereto in compliance with the relevant laws and regulations.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital B with the relevant PRC authority, which shall be completed within five working days from the effective date of the Sale and Purchase Agreement B.

Upon completion of the Sale and Purchase Agreement B, the Target Company B will remain as a 51% owned subsidiary of the Company and the financial results of the Target Company B will continue to be consolidated into the financial statements of the Group. The Purchaser will hold 49% equity interest in the Target Company B upon completion of the Sale and Purchase Agreement B.

INFORMATION ON THE TARGET COMPANIES

The Target Company A is a limited liability company established in the PRC and is principally engaged in investment, construction and operation of Xiaoxi Tower Natural Gas Thermal-Electric Cogeneration Project in Yiling District, Yichang City, Hubei Province, the PRC. Before completion of the Sale and Purchase Agreement A, the Target Company A has a registered and paid up capital of RMB40,000,000, which is owned as to 100% by the Vendor.

The unaudited financial information of the Target Company A for the two years ended 31 December 2020 and prepared in accordance with the accounting principles generally accepted in the PRC are as follows:

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>
Turnover	Nil	Nil
Net loss before taxation	(1,190)	(1,414)
Net loss after taxation	(1,190)	(1,414)
Net asset value	37,571	36,157

The Target Company B is a limited liability company established in the PRC and is principally engaged in supporting natural gas direct supply pipeline project of Xiaoxi Tower Natural Gas Thermal-Electric Cogeneration Project in Yiling District, Yichang City, Hubei Province, the PRC. Before completion of the Sale and Purchase Agreement B, the Target Company B has a registered capital of RMB35,000,000 and a nil paid up capital and the Target Company B is owned as to 100% by the Vendor.

The unaudited financial information of the Target Company B for the two years ended 31 December 2020 and prepared in accordance with the accounting principles generally accepted in the PRC are as follows:

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>
Turnover	Nil	Nil
Net loss before taxation	(93)	(237)
Net loss after taxation	(93)	(237)
Net asset value	(124)	(362)

REASONS AND BENEFITS FOR THE DISPOSALS

The Group is principally engaged in transmission and distribution of natural gas, trading of electronic components and property investment.

Based on the net assets value of unaudited management accounts of the Target Companies as of 31 December 2020, it is estimated that upon Completion, the Group will record a gain of approximately RMB10.2 million on the Disposals. After deducting the expenses relating to the Disposals, the net proceeds would be approximately RMB42.3 million. It is expected that approximately RMB26.0 million of the net proceeds would be applied towards the repayment of current account due to Target Company A and the remaining balance would be used for further investment of the Group's existing natural gas projects. The actual gain or loss as a result of the Disposals to be recorded by the Group is subject to audit to be performed by the Company's auditors.

The Board is of the view that the Disposals provide a good opportunity for the Group to realise its investment in the Target Companies and focus its resources to develop the other existing natural gas companies especially the natural gas companies in Fujian and Yichang. The Disposals are in line with the strategy of the Group, as resources, both financial and manpowers, will be used to develop those natural gas companies of the Group. Moreover, the Group will retain certain equity interests in the Target Companies after Completion and the Group understands that the Purchaser has extensive experience and expertise in the energy sectors and the Group will enjoy the future prospects of the Target Companies without incurring substantial capital expenditures.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Disposals 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 applicable percentage ratio(s) are more than 5% but less than 25%, the Disposals constitute a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

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 Disposals in accordance with the terms of the Sale and Purchase Agreements
“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
“Disposals”	the disposals of the Sale Capitals as contemplated under the Sale and Purchase Agreements
“GEM”	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 connected persons of the Company and are third parties independent of the Company and its 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”	Beijing Jingneng Clean Energy Co., Limited a joint stock company incorporated in the PRC with limited liability and is a listed company on the Stock Exchange with stock code 579
“Sale and Purchase Agreement A”	the sale and purchase agreement dated 26 April 2021 and entered into between the Purchaser and the Vendor in respect of the disposal of Sale Capital A
“Sale and Purchase Agreement B”	the sale and purchase agreement dated 26 April 2021 and entered into between the Purchaser and the Vendor in respect of the disposal of Sale Capital B
“Sale and Purchase Agreements”	together the Sale and Purchase Agreement A and the Sale and Purchase Agreement B
“Sale Capital A”	90% equity interest of the Target Company A
“Sale Capital B”	49% equity interest of the Target Company B
“Sale Capitals”	together the Sale Capital A and the Sale Capital B
“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 A”	宜昌市夷陵區中基熱電有限公司(Yichang City Yiling District China Primary Thermal Power Limited)#, a limited liability company established in the PRC
“Target Company B”	宜昌中基天然氣利用有限公司 (Yichang China Primary Natural Gas Utilisation Company Limited)#, a limited liability company established in the PRC
“Target Companies”	together the Target Company A and the Target Company B

“Vendor”	中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited)#, a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company
“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, 26 April 2021

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, Mr. WONG Pui Yiu and Mr. Yuan Geng 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 Company Announcements” 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>.