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## **中國基礎資源控股有限公司**

**CHINA PRIMARY RESOURCES HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8117)

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 70% OF THE REGISTERED CAPITAL OF CAN GUANG PETROCHEMICAL (FUJIAN) CO., LTD.\***

#### **THE DISCLOSEABLE TRANSACTION**

After trading hours of the Stock Exchange, on 10 April 2014, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Guarantors entered into the SP Agreement pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capital and the Assigned Debt at the Consideration of RMB23.5 million (equivalent to approximately HK\$29.7 million).

#### **GENERAL**

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and is only subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

#### **INTRODUCTION**

After trading hours of the Stock Exchange, on 10 April 2014, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Guarantors entered into the SP Agreement pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 70% of the registered capital of the Target Company and the Assigned Debt at the Consideration of RMB23.5 million (equivalent to approximately HK\$29.7 million).

## **THE SP AGREEMENT**

### **Date:**

10 April 2014

### **Parties:**

- (i) 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited\*), a wholly-owned subsidiary of the Company, as the purchaser;
- (ii) 深圳鑫河企業管理諮詢有限公司 (Shenzhen Xin He Enterprise Management Consulting Co., Ltd.\*), as the vendor; and
- (iii) 鄒淑豔 (Zou Shuyan\*) and 徐海軍 (Xu Haijun\*), beneficial owners of the Vendor, as the vendor's guarantors, to guarantee in favour of the Purchaser the due and punctual performance of the Vendor of its obligation under the SP Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor, the Guarantors and their respective ultimate beneficial owners is Independent Third Party. The Vendor is principally engaged in investment holding.

### **Assets to be acquired**

Pursuant to the terms and conditions of the SP Agreement, the Vendor, being the beneficial owner, shall sell and the Purchaser shall acquire (i) the Sale Capital, being 70% of the registered capital of the Target Company; and (ii) the Assigned Debt.

### **Consideration**

The aggregate Consideration for the Acquisition of RMB23.5 million (equivalent to approximately HK\$29.7 million) shall be paid as follows:

- (1) RMB2.35 million (equivalent to approximately HK\$2.97 million) as the Deposit and as part of the Consideration, shall be paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor at the time of the signing of the SP Agreement; and
- (2) the remaining balance of RMB21.15 million (equivalent to approximately HK\$26.77 million) shall be paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor upon Completion.

If (i) completion does not take place due to the Purchaser's or Vendor's default; or (ii) that any of the conditions precedent as set out in the SP Agreement are not fulfilled on or before 12:00 noon in 30 June 2014 or before such later date as the Purchaser, the Vendor and the Guarantors may agree in writing, the Vendor shall forthwith refund the Deposit without interest to the Purchaser. Thereafter, the Purchaser and the Vendor shall not have any claims or proceedings against the other save for any antecedent breaches prior to the termination of the SP Agreement.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the amount of the Assigned Debt as at 31 December 2013; (ii) the prospects of the LNG retailing industry in the PRC; and (iii) the business potential and growth prospect of the Target Group. The Consideration shall be funded through a combination of internal resources, equity and/or debt financing.

### **Conditions precedent**

Completion shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Purchaser having been satisfied with the results of a due diligence review on the assets, liabilities, operation and other affairs of the Target Group;
- (ii) the Vendor and the Guarantors having obtained all necessary consents and approvals for the Acquisition;
- (iii) the Purchaser having obtained all necessary consents and approvals for the Acquisition;
- (iv) the warranties provided by the Vendor under the SP Agreement remains true, accurate and not misleading; and
- (v) completion of the Fund Raising Exercise.

The Purchaser has right to waive any of the conditions (i), (iv) and (v) above by notice in writing to the Vendor. Conditions (ii) and (iii) above are not waivable. If any of the conditions precedent has not been fulfilled or waived (as the case may be) on or before 12:00 noon in 30 June 2014 or such other date as the Purchaser, the Vendor and the Guarantors shall agree in writing, the SP Agreement shall lapse and the Vendor shall forthwith refund the Deposit without interest to the Purchaser. Thereafter, the Purchaser and the Vendor shall not have any claims or proceedings against the other in connection with the SP Agreement save for any antecedent breaches.

### **Completion**

Completion shall take place on the third Business Day after the fulfillment of the conditions precedent, or such later date as the Purchaser and the Vendor may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the accounts of the Group.

## **INFORMATION ON THE TARGET GROUP**

### **The business of the Target Group**

Based in Fujian Province and currently expanding in the PRC, the Target Group is principally engaged in the supply of LNG to the customers for industrial, commercial and household uses through sourcing of LNG from the upstream suppliers including but not limited to state-owned enterprise.

The scope of the Target Group's business includes gas transmission and gas distribution. The main business operations of the Target Group is located in areas including Zhangzhou, Fuzhou, Ningde and Nanping, the PRC. The Target Group has built up its customer base in these areas for the supply of LNG.

### **Financial information of the Target Group**

Set out below is the financial information of the Target Group for the two years ended 31 December 2012 and 2013 as extracted from the unaudited consolidated management account of the Target Group:

	<b>For the year ended 31 December 2012</b>	<b>For the year ended 31 December 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss before tax	632	1,048
Loss after tax	632	1,210
Net assets value	11,881	10,096

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in manufacture and sale of Polyethylene Pipes. The Board has been looking for possible investing opportunities with a view to increasing the value of the Company. The Company is optimistic on the prospects of the LNG industry in the PRC and the business prospect of the Target Group.

From a view of the overall market condition, the continued economic growth and urbanisation in the PRC has spiked the demand for energy in the PRC. In order to diversify energy base and reduce reliance on more polluting energy sources such as coal and crude oil, the PRC government has, in recent years, taken measures to promote the development and utilisation of less polluting energy sources. Natural gas is considered a cleaner substitute for conventional energy sources such as coal and crude oil.

The PRC government places significant emphasis on the rapid development of natural gas industry under the 12th Five Year Plan to diversify its energy sources and reduce carbon emission. To increase natural gas supply, the “West to East Gas Transmission” pipelines were constructed with the support of the PRC government to bring natural gas from the Xinjiang Autonomous Region to the costal regions of the PRC. Construction of the second phase of the “West to East Gas Transmission” pipelines from Central Asia and the “Sichuan to East” pipelines from the gas-rich Sichuan Province to coastal regions have been completed. Construction of the “West to East Gas Transmission” Phase 3, “Myanmar to Yunnan” gas pipelines as well as LNG terminals in coastal cities of the PRC are actively in progress. Construction of upstream gas pipelines and LNG receiving terminals are actively in progress. All these measures will greatly boost the availability of natural gas in the PRC and will continue to offer significant opportunity for the Target Group along with the future growth in the downstream gas industry in the PRC.

In Zhangzhou, more enterprises continue to settle in the district. With the development of social, economic and environmental requirements together with the geographical advantage of Zhangzhou districts, it is expected that the demand of gas from enterprises will increase and the prospect of gas pipelines project is optimistic. In Fujian Province, “point to point” gas project are comparatively flexible, with the characteristics of small scale investment and fast investment return. In Fujian Province, many districts are surrounded by mountains, in which pipelines are unable or unfit to be paved. These factors have provided room for the development of “point to point” gas project through delivery of gas by trucks. In Ningde, shipbuilding industry is well developed. The main fuel for industrial cutting includes acetylene, propane and liquefied petroleum gas. In this respect, there is opportunity for the growth in demand for natural gas as the alternative energy source. The Target Group is developing the LNG market and industrial cutting gas market among the customers of small and medium enterprises. It aims to provide customers with LNG as the alternative energy solutions. The Target Group has also commenced its development and projects relating to the provision of natural gas for industries such as natural gas transportation service, agricultural service and cleaning energy facilities. With this development, it is expected that the business of the Target Group can have a growth potential.

The Directors consider that the entering into of the SP Agreement and the transactions contemplated thereunder represent an opportunity for the Group to extend its business to the LNG retailing business and to diversify its revenue stream. Taking account of the above, the Directors are of the view that the Acquisition is in the interests of the Company and the terms of the SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **GENERAL**

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## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition pursuant to the SP Agreement in which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Capital and the Assigned Debt at the Consideration of RMB23.5 million (equivalent to approximately HK\$29.7 million)
“Assigned Debt”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to Completion whether actual, contingent or deferred or irrespective of whether or not the same is due and payable on completion, which will be assigned to the Purchaser upon Completion which as at 31 December 2013 amounted RMB3.5 million
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Primary Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8117)
“Completion”	completion of the sale and purchase of the Sale Capital and the Assigned Debt pursuant to the terms and conditions of the SP Agreement

“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	an aggregate consideration of RMB23.5 million payable by the Purchaser to the Vendor for the Sale Capital and the Assigned Debt
“Deposit”	the sum of RMB2.35 million which was paid by the Purchaser as a refundable deposit and part payment of the Consideration pursuant to the SP Agreement
“Directors(s)”	director(s) of the Company
“Fund Raising Exercise”	debt or equity fund raising activities in the amount of not less than HK\$40 million by the Company in the manner the Purchaser agrees, including but not limited to the rights issue of Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantors”	beneficial owners of the Vendor, namely 鄒淑豔 (Zou Shuyan*) and 徐海軍 (Xu Haijun*)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of the Company and connected persons of the Company
“LNG”	liquefied natural gas
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	中基能源 (深圳) 有限公司 (China Primary Energy (Shenzhen) Limited*), a wholly-owned subsidiary of the Company, a company established in the PRC
“Sale Capital”	70% of the registered capital of the Target Company

“SP Agreement”	the conditional sale and purchase agreement dated 10 April 2014 and entered into among the Purchaser, the Vendor and the Guarantors relating to the sale and purchase of Sale Capital and the Assigned Debt
“Share(s)”	ordinary share(s) of HK\$0.0625 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	燦光石化(福建)有限公司 (Can Guang Petrochemical (Fujian) Co., Ltd.*), a company established in the PRC
“Target Group”	the Target Company and its subsidiaries
“Vendor”	深圳鑫河企業管理諮詢有限公司 (Shenzhen Xin He Enterprise Management Consulting Co., Ltd.*), a company established in the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the board of  
**China Primary Resources Holdings Limited**  
**Ma Zheng**  
*Chairman*

Hong Kong, 10 April 2014

\* *the English translations 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 or words*



*As at the date of this announcement, the Board comprises Ms. MA Zheng, Mr. WONG Pui Yiu and Mr. PAN Feng who are the executive Directors, 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 website of the Stock Exchange 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-res.etnet.com.hk>.*

*For ease of reference, sums in HK\$ and RMB in this announcement is translated at the rate HK\$1 = RMB0.79. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.*