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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers for independent advice.

**If you have sold or transferred** all your shares in New Provenance Everlasting Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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**新源萬恒 控股有限公司**  
**New Provenance Everlasting Holdings Limited**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 2326)**

**MAJOR TRANSACTION IN RELATION TO  
THE PROPOSED DISPOSAL OF THE ENTIRE  
EQUITY INTERESTS OF THE POWER COMPANY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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Capitalised terms used in this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the SGM of the Company to be held at Unit 3201-09, 32nd Floor, Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 31 October 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Irrespective of whether you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries 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 SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy form shall be deemed to be revoked.

16 October 2019

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 11 September 2019 relating to the Disposal;
“Board”	board of Directors;
“Business Day(s)”	a day (other than a Saturday) on which banks both in the PRC and Hong Kong are generally opened for business;
“Company”	New Provenance Everlasting Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2326);
“Completion”	completion of the Disposal;
“Completion Date”	within 5 Business Days after the conditions precedent have been fulfilled or waived (as the case may be);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of the entire issued share capital of the Power Company pursuant to the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules;

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## DEFINITIONS

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“Latest Practicable Date”	10 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	15 January 2020, or such other date as may be agreed between the Vendor and the Purchaser in writing;
“Power Company”	Ningxia Tianyuan Power Generation Company Limited* (寧夏天元發電有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this circular;
“PRC”	The People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	Ningxia Tianyuan Manganese Industry Group Co., Ltd* (寧夏天元錳業集團有限公司), a company established under the laws of the PRC and an Independent Third Party;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 11 September 2019 entered into between the Purchaser and Vendor in relation to the Disposal;
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HKD0.0002 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Thermal Power Industry”	Companies operating in thermal electric stations, which convert heat energy into electric power. The thermal power industry generates, distributes and sells electricity to various users, including residential, commercial and industrial customers and it is common for them to offer steam to customers;
“Vendor”	BEP Power Generation Limited (百靈達發電有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

\* *In this circular, the English names of the PRC entities are translations of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

For illustration purpose only, conversion of RMB into HKD in this circular is based on the exchange rate of RMB1.00 to HKD1.11.

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LETTER FROM THE BOARD

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**新源萬恒 控股有限公司**  
**New Provenance Everlasting Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2326)**

*Executive Director:*

Mr. Sin Lik Man

*(Chairman and Chief Executive Officer)*

*Non-executive Directors:*

Mr. Zheng Gang

Ms. Sun Di

*Independent non-executive Directors:*

Mr. Chan Kwong Fat, George

Mr. Siu Hi Lam, Alick

Dr. Ng Tze Kin, David

Dr. Liu Yongping

*Registered Office:*

Clarendon House 2

Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*

Unit 3201-09, 32/F.

Shui On Centre

No. 6-8 Harbour Road

Wanchai

Hong Kong

16 October 2019

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO  
THE PROPOSED DISPOSAL OF THE ENTIRE  
EQUITY INTERESTS OF THE POWER COMPANY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

We refer to the Announcement. As disclosed in the Announcement, on 11 September 2019, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Power Company (an indirect wholly-owned subsidiary of the Company), at a consideration of RMB169,000,000 (approximately HKD187,590,000).

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further details of the Sale and Purchase Agreement and the Disposal; and (ii) other information required under the Listing Rules.

### THE SALE AND PURCHASE AGREEMENT

**Date** 11 September 2019, after trading hours

#### Parties involved

- (1) BEP Power Generation Limited (百靈達發電有限公司)(an indirect wholly-owned subsidiary of the Company) as Vendor; and
- (2) Ningxia Tianyuan Manganese Industry Group Co., Ltd\* (寧夏天元錳業集團有限公司) as Purchaser.

The Purchaser is currently owned by Mr. Jia Tianjiang (賈天將), Ms. Dong Jufeng (東菊鳳) and Ms. Zhu Fenglian (朱鳳蓮) as to approximately 99.988%, 0.006% and 0.006% respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

#### Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Power Company (an indirect wholly-owned subsidiary of the Company), at a consideration of RMB169,000,000 (approximately HKD187,590,000).

Upon Completion, the Power Company will cease to be a subsidiary of the Group, and the profits and losses as well as assets and liabilities of the Power Company will no longer be consolidated into the consolidated financial statements of the Group.

#### Consideration

The consideration for the sale and purchase of the entire equity interests shall be RMB169,000,000 (approximately HKD187,590,000), which shall be payable by the Purchaser to the Vendor in the following manner:

- (1) RMB50,700,000 shall be payable on the Completion Date;
- (2) RMB50,700,000 shall be payable within 90 days after the Completion Date;
- (3) RMB33,800,000 shall be payable within 180 days after the Completion Date; and

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## LETTER FROM THE BOARD

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- (4) the remaining balance of the consideration (being RMB33,800,000) shall be payable after the Completion Date and within 365 days from the date when the Purchaser is registered as the shareholder of the Power Company with the relevant local Administration of Commerce and Industry Office.

The consideration of RMB169,000,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account (i) the financial prospects of the Power Company; and (ii) the valuation report rendered by an independent valuer appointed by the Vendor in which the market value of the Power Company has been valued at RMB168,940,000 as at 30 June 2019 as contained in Appendix II of the circular. Moreover, given that the Purchaser and the Power Company are both companies established under the laws of the PRC, the majority of the consideration, being (2), (3) and (4) above can only be paid by the Purchaser to the Vendor after the Disposal has been approved by the relevant authorities and the transfer of shares has been registered at the relevant Industry and Commerce Bureau. Moreover, should the Purchaser fail to pay any one of the above payments in accordance with the specified timeline, the Purchaser shall be liable for a penalty interest of 0.05% per day on such amount. If the Purchaser fails to pay any one of the above payments within 30 days in respect of the respective payment timelines, the Vendor shall have the right to terminate the Sale and Purchase Agreement. Upon termination of the sale and Purchase Agreement by the Vendor, the Purchaser shall pay 10% of the consideration as liquidated damages to the Vendor, and the transaction(s) under the Sale and Purchase Agreement will be reversed. The Board is of the view that, taking into account (i) the relevant laws and regulations of the PRC; (ii) the payment mechanism is not uncommon in similar transactions involving the transfer of equity interests in PRC companies; (iii) the Board has assessed the Purchaser in terms of its reputation in the manufacturing sector in the PRC, the corporate and background information of the Purchaser and the Purchaser being one of the Top 500 Chinese Enterprises (中國企業500強) jointly published by the China Enterprise Confederation and China Enterprise Directors Association; and (iv) the mechanism under the Sale and Purchase Agreement, the settlement arrangement is fair and reasonable and that the initial payment of RMB50,700,000 payable by the Purchaser on the Completion Date is the largest possible extent the Vendor could request from the Purchaser.

The Vendor has engaged Vincorn Consulting and Appraisal Limited (the "Valuer"), an independent valuer, to conduct a valuation in respect of the Power Company. The Board has reviewed the valuation report prepared by the Valuer in respect of the Power Company as set out in Appendix II of the Circular (the "Valuation Report") and the underlying valuation methodology and discussed with the Valuer, including but not limited to:

- (i) the qualification and experience of the Valuer in relation to the valuation of the Power Company.
- The Valuer is certified with relevant professional qualifications required to perform the valuation of the Power Company.



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## LETTER FROM THE BOARD

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- Mr. Vincent Cheung (“Mr. Cheung”), who is in-charge of the valuation possesses, is the managing director of Vincorn Consulting and Appraisal Limited and has over 22 years’ experience in real estate industry and assets valuation sector. His experience on valuation covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a fellow Member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice), a member of the Institute of Shopping Centre Management, a member of the Hong Kong Securities and Investment Institute, a member of the China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser and Agent of the People’s Republic of China;
- (ii) the valuation methodology and assumptions adopted by the Valuer in preparing the valuation of the Power Company.
- the Valuer has adopted the market approach as their valuation methodology, assuming the Power Company’s business will continue to operate;
  - the Valuer has identified comparable companies which are comparable to the Power Company; using size premium to reflect on the comparables selection and adjustments; and derived the average of adjusted price-to-earnings (“P/E”) ratio multiply by the net profit of the Power Company for the year ended 31 March 2019;
  - as the Power Company is an indirect wholly owned subsidiary of the Group, a control premium was adopted by the Valuer; and
  - as the Power Company is a private company, a discount for lack of marketability was adopted by the Valuer.

The Board also noted from the Valuer that, in valuing the Power Company, the Valuer has fully complied with relevant valuation standards where details such as valuation methodology and key assumptions are set forth in the Valuation Report set out in Appendix II of the Circular.

### **Conditions precedent**

Completion is conditional upon the fulfilment or waiver (where applicable) of the conditions precedent as stated in the Sale and Purchase Agreement which include, amongst others, the following:

- (a) the Purchaser being reasonably satisfied with the due diligence results of the Power Company;

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## LETTER FROM THE BOARD

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- (b) the representations and warranties given by the Vendor in the Sale and Purchase Agreement remaining true and accurate and not misleading and no material adverse events having happened;
- (c) all necessary approvals, consents, clearance or waivers (if applicable) in respect of the transactions contemplated under the Sale and Purchase Agreement from any party (including government authorities and regulatory authorities) having been obtained and where any such approval, consent, clearance or waiver is subject to conditions, such conditions being acceptable to the Purchaser; and
- (d) the approval of the Shareholders in a general meeting of the Company in relation to the Disposal pursuant to the Listing Rules.

The Purchaser has the right to waive any conditions precedent (other than the conditions precedent referred to in (c) and (d) above which cannot be waived) from time to time in writing. If not all of the conditions precedent are fulfilled (or waived by the Purchaser, as the case may be) by the Long Stop Date, the Vendor or the Purchaser may either terminate the Sale and Purchase Agreement in writing within 5 Business Days thereafter. The Sale and Purchase Agreement shall cease to have any effect and neither party shall have any obligations and liabilities towards each other thereunder subject to the terms and conditions of the Sale and Purchase Agreement. If the failure to fulfil any conditions precedent is attributable to the Vendor, then upon the Vendor receiving a written notice from the Purchaser to terminate the Sale and Purchase Agreement, the Vendor shall pay 5% of the consideration as liquidated damages to the Purchaser within 10 Business Days. On the other hand, if the failure to fulfil any conditions precedent is attributable to the Purchaser, then upon the Purchaser receiving a written notice from the Vendor to terminate the Sale and Purchase Agreement, the Purchaser shall pay 5% of the consideration as liquidated damages to the Vendor within 10 Business Days. As at the Latest Practicable Date, conditions precedents (a) and (b) have been fulfilled. The Board wishes to draw the attention of the Shareholders to the fact that the approvals, consents, clearance or waivers (if applicable) as stated in condition precedent (c) above including but not limited to the shareholder resolutions and/or board resolutions of the Purchaser, could only be obtained after the Disposal is being approved by the Shareholders at the SGM (condition precedent (d)).

### **Completion**

Upon the fulfilment or waiver (as the case may be) of the conditions precedent, Completion shall take place on the Completion Date.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

### INFORMATION OF THE POWER COMPANY

The Power Company is a company established under the laws of the PRC on 28 April 2014 with a registered capital of RMB142,610,000 whose entire equity interests is owned by the Vendor as at the date of this circular. The Power Company operates a waste heat power generation plant with an installed capacity of 36 megawatts in the Ningxia Hui Autonomous Region of the PRC.

The Power Company operates a 36 megawatts power plant and generates revenue from the sale of electricity and steam generated by the power plant to the plants located in the industrial park nearby. The Power Company sources coal to operate the power plant.

The total assets of the Power Company as at 31 March 2019 was HK\$272,007,000, which mainly consist of property, plant and equipment and trade receivables of HK\$174,720,000 and HK\$89,737,000 respectively, representing 64.2% and 33.0% of the total assets respectively. The total liabilities of the Power Company as at 31 March 2019 was HK\$59,652,000, which mainly consist of trade and other payables of HK\$54,604,000, representing 91.5% of the total liabilities.

Set out below is a summary of the unaudited financial information of the Power Company for the three years ended 31 March 2019 respectively prepared in accordance with Hong Kong Financial Reporting Standards:

	For the years ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenue	119,343	166,932	182,567
Gross profit	42,749	13,219	16,795
Gross profit margin	35.8%	7.9%	9.2%
Profit before tax	34,049	12,188	16,039
Profit after tax	25,879	9,300	10,528
Net profit margin	21.7%	5.6%	5.8%

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## LETTER FROM THE BOARD

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### REASONS FOR THE DISPOSAL

The Group is principally engaged in the sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and production and sale of utilities.

The policy to reduce the capacity of coal-fired power generation for Thermal Power Industry in the 13th Five-Year Plan as introduced by the National Development and Reform Commission together with 16 ministries and commissions in July 2017 has unfavourable strategic impact to the Power Company.

As mentioned in the Company's annual report 2018/19, the management of the Group conducts regular reviews of the operational performance and efficiency of its investments located in Ningxia Hui Autonomous Region of the PRC, to ensure those investments' returns are maximized. Given the unfavourable policy against the Thermal Power Industry in recent years and the relatively high volatility in the costs of operation for the Power Company, the net profit margin of the Power Company has decreased significantly from approximately 21.7% for the year ended 31 March 2017 to approximately 5.6% and 5.8% for two years ended 31 March 2018 and 2019 respectively. The significant increase in the cost of production for the power generation has significantly undermined the returns of the Power Company.

Reference is also made to the circular of the Company dated 11 March 2016 in relation to the acquisition of the Power Company. The acquisition was expected to have synergistic effect between the two plants situated in Ningxia Hui Autonomous Region of the PRC. The Acid Company is an indirectly wholly-owned subsidiary of the Group. The Acid Company is principally engaged in the production and sale of industrial products of highly concentrated (consisting 93% and 98%) sulfuric acid with an annual production of approximately 200,000 tons. The sulfuric acid produced by the Acid Company is in accordance with the national standards for industrial sulfuric acid in the PRC. Although the plants are in the proximity of each other enabling the co-sharing of workforce, the acquisition did not result in a synergistic effect as expected by the Group as the two plants are operated independently in which; (i) no significant numbers of electricity engineers were shared between the two plants; and (ii) the electricity supply requirements of Acid Plant (as defined in the circular) is independent from the Power Company.

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## LETTER FROM THE BOARD

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Accordingly, the Directors are of the view that the Disposal represents a prosperous timing and opportunity for the Group to (i) realize its investments in the Power Company before the declining operation environment together with the expected continuous declining profitability of the power generation industry; (ii) focus its resources on the sourcing and sale of metal minerals and related industrial materials business by exploring opportunities to deal in high demand minerals and metal products from third parties; and (iii) strengthen its liquidity for future investment opportunities and potential development in improving the metal minerals trading efficiency and diversifying our source of revenue by investing in auxiliary services in relation to metal minerals and related industrial materials business such as supply chain management and/or financing arrangement. Supply chain management will include collaborating with parties related to the procurement of metal minerals, such as companies providing storage and logistics services and shipping and insurance companies, in order to deliver goods to customers in a proper and timely manner; whereas for financing arrangement, this will include co-operating with the financial services providers of metal minerals customers, such as banks, money lending institutions and trade finance service providers.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms, and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL**

As a result of the Disposal, the Group is expected to record an unaudited gain of RMB390,000 (approximately HKD433,000) comprising (i) the total consideration of RMB169,000,000 (approximately HKD187,590,000), less (ii) relevant expenses and taxes of RMB2,720,000 (approximately HKD3,019,000), less (iii) net assets of the Power Company as at 31 July 2019 of RMB165,890,000 (approximately HKD184,138,000). Upon Completion, the Power Company will cease to be a subsidiary of the Company, and the profits and loss as well as assets and liabilities of the Power Company will no longer be consolidated into the consolidated financial statements of the Group. Accordingly, the reportable segment for production and sale of utilities will be discontinued.

### **USE OF PROCEEDS FROM THE DISPOSAL**

The Group intends to apply proceeds from the Disposal (1) as to approximately RMB67,600,000 (approximately HKD75,036,000) for expanding its sourcing and sale of current metal minerals and related industrial materials business portfolio; (2) as to approximately RMB67,600,000 (approximately HKD75,036,000) for the potential investment in auxiliary services in association with improving the metal mineral trading business; and (3) as to approximately RMB33,800,000 (approximately HKD37,518,000) for general working capital of the Group.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder is required to abstain from voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

### THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Unit 3201-09, 32nd Floor, Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong on Thursday, 31 October 2019 at 11:00 a.m.

At the SGM, ordinary resolution(s) for approving the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder will be proposed for the Shareholder's approval.

The resolution(s) will be voted by way of poll at the SGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 October 2019 to Thursday, 31 October 2019, both days inclusive, during which period no transfer of Shares will be registered, in order to determine the entitlement to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, unregistered holders of Shares should ensure that all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 25 October 2019.

### RECOMMENDATION

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, and are on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder as set out in the notice of the SGM.

### 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

**Sin Lik Man**

*Chairman and Chief Executive Officer*

**1. FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for the years ended 31 March 2017, 31 March 2018 and 31 March 2019 together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)):

- annual report of the Company for the year ended 31 March 2017 published on 26 July 2017 (pages 63-157);
- annual report of the Company for the year ended 31 March 2018 published on 23 July 2018 (pages 63-191); and
- annual report of the Company for the year ended 31 March 2019 published on 5 July 2019 (pages 61-199).

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 August 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group did not have any outstanding bank borrowings. The total unused banking facilities available to the Group is HK\$235,350,000.

As at the close of business on 31 August 2019, the Group had no material contingent liabilities and commitments.

Save as disclosed above and apart from the normal trade payables in the ordinary course of the Group's business, as at the close of business on 31 August 2019, the Directors were not aware of the Group having other outstanding mortgages, charges, debentures and other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirmed that there had been no material change in terms of the Group's contingent liabilities and indebtedness during the period from 31 August 2019 to the Latest Practicable Date.

**3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group and the effect of the Disposal, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, which is for at least 12 months following the date of this circular.



**4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS**

Due to the unfavorable global economic uncertainty in 2019, the revenue and performance of the Group has been affected to a certain extent. The Group has experienced a decrease in revenue and suffered from gross loss for the period of four months ended 31 July 2019, in particular the gross loss was mainly caused by the Power Company. It is expected that the gross loss of the Group will be improved after the Disposal. The reportable segment for production and sale of utilities will be discontinued upon the Disposal.

**Sourcing and sale of metal mineral and related industrial material business**

The Group's sourcing and sale of metal minerals and related industrial materials segment mainly have three types of the metal minerals products including manganese, chromium and selenium. We sourced those metal minerals from the international minerals ore suppliers with solid relationships. Our customers are sourced by the sales team of the Group, which mainly located in the PRC, Hong Kong and other Asia country.

For the year ended 31 March 2019, the sourcing and sale of metal minerals and related industrial materials segment contributed revenue amounted to HK\$1,023,695,000 with a segment profit amounted to HK\$48,749,000.

For sourcing and sale of metal minerals and related industrial materials business, the business was affected by the exchange rate fluctuation during the period and the unfavorable global economic uncertainty, as a result, the Group's revenue and gross profit of metal minerals and related industrial materials business deteriorated. Management of the Group will continue to stay abreast of market trends, keep close communications with customers and suppliers, so as to maintain development of such business.

**Production and sale of industrial products business**

The Group's production and sale of industrial products segment mainly engaged in the production of highly concentrated (consisting of 93% and 98%) sulfuric acid with an annual production of approximately 200,000 tons. We sourced sulfur concentrate from PRC suppliers according to the specifications of production. The concentrated sulfuric acid is one of the raw materials for the production of electrolytic manganese and can be widely used in chemical industries for the production of phosphate fertilizers, lead-acid batteries used in vehicles, and trisodium phosphate for detergents. Our customers are sourced by the sales team of the Group and are located in the PRC.

For the year ended 31 March 2019, the production and sale of industrial products segment contributed revenue amounted to HK\$89,773,000 with a segment profit amounted to HK\$23,034,000.

For production and sale of industrial products business, the Group will continue to maintain the production volume of the sulfuric acid with the support from its customers. It is expected that an increase in revenue will be achieved during the year due to the increase in marketing efforts on boosting the sales of its products and would be able to maintain a sustainable gross profit level.

### **Prospects**

In view of the unfavorable global economic outlook, the Group will enhance its control over the operating risk and the liquidity risk, and strive to explore opportunities with development potential and sustainability to create diversified revenues for the shareholders and mitigate the Company's business risks as a whole.

The Group is in the course of identifying suitable future investment opportunities and potential development in improving the metal minerals trading efficiency and auxiliary services, such as supply chain management and/or financing arrangement, and aims to seek those which will fit into the business model of the Group and provide synergy to both parties in order to further enhance the value of its Shares and bring valuable return to the Company and its Shareholders.

*The following is the extract of the valuation report received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the entire equity interests of the Power Company as at 30 June 2019.*

**Vincorn Consulting and Appraisal Limited**  
**Consulting and Appraisal Services**  
21/F., No. 268 Des Voeux Road Central,  
Hong Kong



**New Provenance Everlasting Holdings Limited**  
Unit 3201-09, 32/F,  
Shui On Centre,  
No. 6-8 Harbour Road,  
Wanchai, Hong Kong

11 September 2019

Dear Sirs,

**RE: VALUATION OF 100% EQUITY INTEREST OF NINGXIA TIANYUAN POWER  
GENERATION COMPANY LIMITED**

#### **INSTRUCTIONS**

In accordance with the instructions received from New Provenance Everlasting Holdings Limited (the “Company”), we have undertaken a valuation exercise to express an independent opinion on the market value of 100% equity interest (the “Equity Interest”) of Ningxia Tianyuan Power Generation Company Limited (the “Target Company” or “Power Company”) as at 30 June 2019 (the “Valuation Date”). Our valuation work was performed subject to the assumptions and limiting conditions described in this report.

This report outlines the purpose of valuation, premise of value and sources of information; identifies the business appraised; describes the valuation methodology, assumptions and limiting conditions; and presents our investigation, analysis and our opinion of value.

#### **PURPOSE OF VALUATION**

The purpose of this valuation is to express an independent opinion on the market value of the Equity Interest of the Target Company as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose in relation to the Equity Interest of the Target Company.

We understand that our valuation report may be included in the Company's circular and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

Vincorn Consulting and Appraisal Limited ("Vincorn") assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

### **PREMISE OF VALUE**

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2017 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on a market value basis. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### **INTRODUCTION**

#### **The Company**

##### ***New Provenance Everlasting Holdings Limited***

New Provenance Everlasting Holdings Limited ("Everlasting Holdings") was incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange of Hong Kong (Stock code: 2326). Everlasting Holdings is principally engaged in sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and production and sale of utilities.

##### **Overview of Ningxia Tianyuan Power Generation Company Limited**

Ningxia Tianyuan Power Generation Company Limited is a company incorporated in the PRC established on 28 April 2014. The principal activity of Power Company is waste heat power generation in the Ningxia Hui Autonomous Region of the PRC with an installed capacity of 3x12 megawatts, i.e. 36 megawatts.

## Industry Overview

### *Thermal Power Industry in China*

Thermal power station refers to station that converts heat energy into electric power. The power generation process involves the steam-driven turbine, heat produced by burning fuel such as coal and heavy oil. In 2017, coal-fired power generation accounted for over 90% of thermal power generation in many regions such as Tianjin, Shanghai, Beijing, Shandong, Anhui, Henan while gas-fired power generation only accounted for a small proportion. The burning fuel creates high-temperature and high-pressure steam and it spins the steam turbine which drives an electric generator. Thermal power stations are designed to produce heat energy for various purposes.

Thermal power is the main source of electricity generation in China. According to the National Bureau of Statistics of China, thermal power has produced a total of 4,979.5 TWh electrical energy during 2018, which contributed over 70% of the total electricity, followed by hydropower, nuclear power and wind power. During 2018, the power supply capacity of thermal power was increased by 41.19 million kilowatts and the average utilization hours of thermal power equipment was increased by 143 hours, from 4,218 to 4,361 hours. The production growth of thermal power was lower compared with other power generation, the production growth of thermal power was 6% year-on-year while the nuclear, wind and solar power production growth in 2018 were 18.7%, 16.6% and 19.6% respectively.

Prior to 2008, the electricity consumption in China had maintained a growth over 10% for many years. The growth rate of electricity consumption has rapidly declined, due to the impact of the financial crisis. From 2016 to 2018, growth rate of electricity consumption in the China was 5.0%, 6.6% and 8.5% respectively. In 2018, the secondary industry accounted for the highest in electricity consumption, the industry used 4,723.5 billion kWh of electricity, followed by the tertiary industry (1,080.1 billion kWh) and primary industry (72.8 billion kWh). The growth rate of electricity consumption for primary, secondary and tertiary industry were 9.8%, 7.2% and 12.7% respectively. The domestic electricity consumption was 968.5 billion kWh, a year-on-year increase of 10.4%.

### *Thermal Power Policy in China*

The government seeks to resolve the problem of overcapacity of coal-fired power generation due to the slowdown in economic growth and changes in the supply and demand of power generation. In 2017, 16 ministries and commissions including the National Development and Reform Commission jointly proposed the coal power will be suspended and slowed down by 150 million kilowatts during the 13th Five-Year Plan. The government also proposed to eliminate outdated power plants and implement low emission coal power units. By 2020, the national coal power capacity is controlled within 1.1 billion kilowatts. After the transformation, the average coal consumption of coal-fired power fell to 310 g/kWh. The technological progress promoted the development of renewable energy, which meets the new energy demand and substitutes the high-carbon energy.

In recent year, the power system in China is increasing share in clean and renewable energy, primarily wind and solar energy. The Clean Energy Consumption Action Plan 2018-2020 issued by National Development and Reform Commission and National Energy Administration contains plans related to controlling deployment of renewable and coal power, accelerating power market reform, improving policy guidance, and additional targets. By 2020, the wind usage rate is expected to reach at about 95%, the solar and hydro energy usage is targeted at over 95% and the alternative power will strive to exceed 50 billion kWh.

### ***Waste Heat Power Generation***

China is the world's largest energy consumer, it is expected to account for 22% of the world energy consumption in 2040, according to BP Energy Outlook. China's huge energy consumption is due to the rapid economic development, which makes energy demand rise rapidly. On the other hand, the overall energy utilization efficiency is low. From the perspective of the government, it is important to promote green and low carbon development in the energy field, it is particularly important to actively explore clean and efficient thermal power generation technology.

Although waste heat power generation is similar to thermal power generation which also inputs coal in the process of power generation, it is a technology that converts excess heat energy into electrical energy during production. There are many types of waste heat such as high temperature gas, wastewater and chemical reaction. As a secondary energy source, waste heat resources are one of the largest conventional energy sources after coal, oil, natural gas. These waste heat resources can be used for power generation, driving machinery, heating, thus reducing primary energy consumption. Waste heat power generation not only increase energy efficiency, it also contributes to environmental protection.

### **SCOPE OF SERVICES**

This engagement involved an analysis of the Ningxia Tianyuan Power Generation Company Limited as at the Valuation Date. In undertaking this valuation assignment, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the management of the Company and/or the Target Company or their representatives (hereinafter referred to as the "Management"):

- Conducted meeting(s) and/or discussion with the Management;
- Obtained the relevant financial and operational information related to the Target Company and its business;
- Performed market research and obtained statistical data from public sources;

- Examined all relevant bases and assumptions of both the financial and operational information related to the subject matter, which were provided by the Management;
- Conducted valuation of the subject matter using the respective standards of value that are most appropriate;
- Documented the result of our findings in this valuation report.

### **SOURCES OF INFORMATION**

In conducting our valuation of the Equity Interest, we have considered, reviewed and relied upon the following key information provided by the Management of the Company and/or the Target Company. We relied on the following information in performing this appraisal:

- The background and development of the Target Company and relevant corporate information;
- Business registration details of the Target Company provided by the Management;
- Unaudited financial information of the Target Company for the year ended 31 March 2017, 2018 and 2019;
- Management accounts for the six months ended 30 June 2019 of the Target Company; and
- Bloomberg database and other reliable sources.

We assumed that the data and information we obtained in the course of the valuation, along with the opinions and representations provided to us by the Management are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

In addition, we have also obtained market data, industrial information and statistical figures from Bloomberg database and other publicly available sources.

**VALUATION METHODOLOGY**

There are three generally accepted approaches to assess the market value of the Target Company, namely the market approach, cost approach and income approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

**Market Approach**

Market approach is relatively the most straightforward valuation method in determining market value of assets. Market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price-to-earnings ("P/E") ratio, price-to-sales ("P/S") ratio and price-to-book ("P/B") ratio) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

**Cost Approach**

Cost Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to evaluate income-generating assets as it generally does not capture the future expected returns to the asset.



**Income Approach**

Income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income-based approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

**SELECTION OF VALUATION APPROACH**

Among the three valuation approaches, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business and the off-balance sheet items of the business. Therefore, this method is not appropriate in this valuation. We have also considered that the income approach is not the most optimal to value the Target Company as this approach involves financial forecast information and the adoption of much more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

The Target Company has sufficient track records. As advised by the Company, the Target Company is expected to sustain its existing business operations in the foreseeable future. Therefore, we have considered that market approach is the most optimal approach for valuing the Target Company.

**VALUATION ASSUMPTIONS AND RATIONALE****General assumptions**

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated on the purpose of providing a more accurate and reasonable basis for arriving at our assessed value. In determining the market value of the Equity Interest, the following principal assumptions have been made:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- We have assumed that the conditions in which the business is being operated and which are material to revenue and costs of businesses will have no material change;

- We have assumed that the Management has taken all reasonable steps to ensure that the information and representations provided are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company;
- We have assumed that all licenses and permits that is essential for the operation of the Target Company can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

### **VALUATION PROCEDURES AND PARAMETERS ADOPTED IN MARKET APPROACH**

#### **Guideline Public Company Method**

The premise behind guideline public company method (the “Guideline Public Company Method”) is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry. In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each comparable company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the subject company being valued. This valuation multiple is then applied to the subject company being valued to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that using a comparative company’s market value as at the Valuation Date as the numerator and a measure of the company’s operating results (or financial position) as the denominator.

The P/E ratio considers the cost structure as well as profitability (which are considered primary indicator affecting the value of a company of the same kind) of a company, it is a common valuation method for the assessment of companies’ value with profitable businesses. As a result, the most preferable valuation multiples for valuing the Equity Interest is P/E ratio.

Once we have selected certain comparable companies and make the necessary adjustments to their financial information if needed, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected comparable companies. The process of computing the valuation multiple in this case consists of the following procedures:

1. Determination of the equity value for each comparable company as at the Valuation Date. The equity value for each comparable company, which is the market capitalization, is made reference to Bloomberg as at the Valuation Date.
2. Determination of the measure of operating result, which is earnings for the appropriate time period. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of comparable companies that are similar enough to the underlying business of the Target Company so as to provide a meaningful comparison. We exercised due care in the selection of comparable companies by using reasonable criteria in deciding whether a particular comparable company is relevant. When the similarity between the subject company and the comparable companies is so low that a meaningful comparison cannot be made, we would then question the use of this Guideline Public Company Method.

### **Selection of Comparable Companies**

Due care was exercised in the selection of comparable companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the comparable companies, we started with a description of the potential companies, in terms of lines of business, financial result and other criteria. In order to comprise a representative set of comparable companies to derive the valuation result, certain criteria have to be set to ensure similarity between the comparable companies and the Target Company. It is focused to identify listed companies who are engaged in the business of the Target Company, which is power generation and heat provision. As a result, listed companies with similar business exposure in relation to power generation and heat provision were identified. Afterwards, more thorough studies have been carried out to confine the selection of comparable companies. Given the above, we consider this selection basis is reasonable and the sample list is fair, representative, and exhaustive.

As a result, the comparable companies were selected with reference to the criteria as follows:

- The comparable companies are listed in the stock exchange of China or Hong Kong;
- The comparable companies have sufficient operating histories that sufficient data, including the trailing P/E ratios of the comparable companies are available;

- The comparable companies derive most of their revenues from power generation and heat provision related business in the latest full financial year; and
- The financial information of the comparable companies is available to the public.

We then identified 13 comparable companies (the “Comparable Companies”) which are comparable to the Target Company with the aforesaid criteria and calculated the P/E ratio of each of the Comparable Companies. The following is the exhaustive list of the Comparable Companies that we have selected in connection with the valuation of the Equity Interest.

**Details of the Comparable Companies are listed as follows:**

Company Name	Stock Ticker	Business Description
Guangzhou Hengyun Enterprises Holding Ltd.	000531 CH Equity	Guangzhou Hengyun Enterprises Holding Ltd. (“Guangzhou Hengyun”) provides electric power services. Guangzhou Hengyun operates power generation, heating, new energy, and finance businesses. Guangzhou Hengyun also through its subsidiaries, provides energy sales and protection services.
GD Power Development Co., Ltd.	600795 CH Equity	GD Power Development Co.,Ltd. (“GD Power”) offers power generation and power project development services. GD Power provides wind power, thermal power, and hydropower services. GD Power also conducts coal operation and heating businesses.
Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited	600863 CH Equity	Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited (“Mengdian Huaneng”) operates electricity network businesses. Mengdian Huaneng provides thermal power generation, electricity transmission, and hot water production services. Mengdian Huaneng also conducts wind power generation and coal production businesses.
Shanxi Zhangze Electric Power Co., Ltd.	000767 CH Equity	Shanxi Zhangze Electric Power Co., Ltd. (“Shanxi Zhangze”) provides electricity generation services. Shanxi Zhangze offers electricity transmission, electricity distribution, power transformation, and other related services. Shanxi Zhangze provides services in China.
Shanghai Electric Power Company Limited	600021 CH Equity	Shanghai Electric Power Company Limited (“Shanghai Electric Power”) operates power generation businesses. Shanghai Electric Power generates electricity, thermal power, and other power products. Shanghai Electric Power also operates engineering contracting, new energy development, and other businesses.

Company Name	Stock Ticker	Business Description
Beijing Jingneng Power Co., Ltd.	600578 CH Equity	Beijing Jingneng Power Co.,Ltd. (“Beijing Jingneng”) operates power generation businesses. Beijing Jingneng generates electrical power, thermal power, and other power products. Beijing Jingneng also provides power generation equipment repairing services.
Jilin Electric Power Co., Ltd.	000875 CH Equity	Jilin Electric Power Co., Ltd. (“Jinlin Electric”) operates power generation businesses. Jinlin Electric generates and distributes electricity power, thermal power, and other power products. Jilin Electric also produces photovoltaic products.
Fujian Funeng Co., Ltd.	600483 CH Equity	Fujian Funeng Co., Ltd. (“Fujian Funeng”) mainly engaged in power generation, heating, electric power industry, and the related technology R&D, advisory services within new energy industry. Fujian Funeng also manufactures textile products including PU leather and apparel.
Zhejiang Zheneng Electric Power Co., Ltd.	600023 CH Equity	Zhejiang Zheneng Electric Power Co., Ltd. (“Zhejiang Zheneng”) supplies electric power through operating thermal power generation. Zhejiang Zheneng also involves in the research and development of electric power, power and energy-saving technology development, technical consulting, sales of energy-saving products, electrical engineering and asset management.
Datang International Power Generation Co., Ltd.	991 HK Equity	Datang International Power Generation Co.,Ltd. (“Datang International”) offers power generation services. Datang International provides power project development, electricity transmission, and power distribution services. Datang International also conducts coal, coal chemistry, transport, and recycling businesses.
Huaneng Power International, Inc.	902 HK Equity	Huaneng Power International, Inc. (“Huaneng”) provides electricity generation services. Huaneng offers electricity transmission, electricity distribution, power transformation, and other related services. Huaneng provides services in China.
Zhejiang Fuchunjiang Environmental Thermoelectric Co., Ltd.	002479 CH Equity	Zhejiang Fuchunjiang Environmental Thermoelectric Co., Ltd. (“Zhejiang Fuchunjiang”) operates the business of solid waste power generation and thermal power generation. Zhejiang Fuchunjiang engages in the co-generation of heat and power with its main products including steam and electricity.

Company Name	Stock Ticker	Business Description
Shenzhen Energy Group Co., Ltd.	000027 CH Equity	Shenzhen Energy Group Co., Ltd. (“Shenzhen Energy”) offers power supply services. Shenzhen Energy provides power transmission, power system management, power network maintenance, and other services. Shenzhen Energy also operates logistics, waste management, gas supply, steam supply, and other businesses.

Source: Bloomberg

The above Comparable Companies, together with the Target Company, are similarly subject to fluctuations in the economy and performance of power generation and heat provision, among other factors. Thus, we consider they are confronted with similar industry risks and returns.

**Details of the calculation of valuation multiple for the Comparable Companies are as follows:**

Stock Ticker	Currency	Market Capitalization (million) <sup>1</sup>	Net Income <sup>2</sup>	P/E Ratio <sup>3</sup>	Adopted Size Premium <sup>4</sup>	Adjusted P/E Ratio <sup>5</sup>
000531 CH Equity	RMB	4,789	153	31.2	0.00%	31.2
600795 CH Equity	RMB	49,912	1,584	31.5	2.50%	17.6
600863 CH Equity	RMB	18,238	954	19.1	1.81%	14.2
000767 CH Equity	RMB	8,831	672	13.1	1.81%	10.6
600021 CH Equity	RMB	22,717	2,952	7.7	2.50%	6.5
600578 CH Equity	RMB	21,859	1,179	18.5	2.50%	12.7
000875 CH Equity	RMB	6,825	136	50.3	1.81%	26.3
600483 CH Equity	RMB	13,284	1,051	12.6	1.81%	10.3
600023 CH Equity	RMB	60,115	4,260	14.1	2.50%	10.4
991 HK Equity	HKD	55,548	1,199	46.3	2.50%	21.5
902 HK Equity	HKD	99,558	2,858	34.8	2.50%	18.6
002479 CH Equity	RMB	5,910	117	50.6	1.81%	26.4
000027 CH Equity	RMB	24,580	998	24.6	2.50%	15.2
					<b>Average</b>	<b>17.0</b>

Notes:

- The figures are rounded to the nearest million.
- The Net Income is reference to the actual profit attributable to owners of the Comparable Companies for the year ended of 31March 2019 as extracted from Bloomberg.
- The P/E ratios are calculated by dividing market capitalizations of the Comparable Companies as at 30 June 2019 by its respective actual profit attributable to owners of the Comparable Companies for the year ended of 31 March 2019 as extracted from Bloomberg.

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**APPENDIX II VALUATION REPORT OF THE POWER COMPANY**

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4. The adopted size premium for each of the Comparable Companies is derived as below:

Stock Ticker	Market		Adopted Size Premium <sup>7</sup>
	Capitalization (USD million)	Size Premium <sup>6</sup>	
000531 CH Equity	697	3.39%	0.00%
600795 CH Equity	7,269	0.89%	2.50%
600863 CH Equity	2,656	1.58%	1.81%
000767 CH Equity	1,286	1.58%	1.81%
600021 CH Equity	3,308	0.89%	2.50%
600578 CH Equity	3,183	0.89%	2.50%
000875 CH Equity	994	1.58%	1.81%
600483 CH Equity	1,934	1.58%	1.81%
600023 CH Equity	8,754	0.89%	2.50%
991 HK Equity	7,112	0.89%	2.50%
902 HK Equity	12,746	0.89%	2.50%
002479 CH Equity	861	1.58%	1.81%
000027 CH Equity	3,580	0.89%	2.50%
Target Company	n/a	3.39%	n/a

5. Since the comparable companies are often of significantly different size from the Target Company. Larger companies generally have lower expected returns that translate into higher value while small companies are perceived as riskier in relation to business operation and financial performance and hence the expected returns are higher, resulting in lower valuation multiple. We have taken into account the impact of the difference in the market capitalization between the Comparable Companies and the Target Company. Set out below is the proposed adjustment to the P/E ratio (the “Adjusted P/E Ratio”) considering the impact of the size difference:

$$\text{Adjusted } \frac{P}{E} \text{ Ratio} = \frac{1}{\frac{1}{\frac{P}{E} \text{ Ratio}} + \text{Adopted Size Premium}}$$

6. Small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The small company risk premium is made reference to Duff & Phelps LLC.

7. The Adopted Size Premium of each of the Comparable Companies is derived by the formula below:

$$\text{Adopted Size Premium} = \text{Target Company's Size Premium} - \text{Size Premium of each of the Comparable Companies}$$

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**APPENDIX II VALUATION REPORT OF THE POWER COMPANY**

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Details of the market value of the Target Company is shown below:

Adopted Valuation Multiple (P/E Ratio)		17.0x
Net Profit for the year ended 31 March 2019 (RMB)		9,039,449
<b>Implied Market Capitalization</b>		<b>154,075,560</b>
<i>Add: Control Premium</i>	38.27%	<u>58,959,581</u>
Equity Value after Control Premium		213,035,141
<i>Less: Discount for Lack of Marketability (“DLOM”)</i>	20.70%	<u>(44,098,274)</u>
Equity Value after Control Premium and DLOM		168,936,867
<b>Market Value of 100% Equity Interest of the Target Company (Rounded)</b>	<b>RMB</b>	<b><u><u>168,940,000</u></u></b>

\* The figures may not foot due to rounding.

### Control Premium

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transactions on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

When valuing the Target Company based on the Guideline Public Company Method, the level of value is presented on freely traded and non-controlling basis. A premium for control reflects the degree of control associated with a 100% equity interest of the Target Company.



To estimate the control premium applicable to the Target Company, we relied on indications of control premium from data on acquisition transactions in the power generation extracted from FactSet Mergerstat Control Premium Study. Based on the research published by Mergerstat Control Premium Study, a 38.27% control premium on equity value level is considered to be appropriate.

*Note:*

*Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and software company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.*

### **Discount for Lack of Marketability (“DLOM”)**

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the valuation, with reference to the 2018 edition of the “FMV Restricted Stock Study Companion Guide”, published by Business Valuation Resources and it is an all-inclusive online database that provides empirical support to determine discounts for lack of marketability. Taking reference to this resource is a common practice while conducting valuation work, therefore we considering the credibility of this resource high. In this valuation, a discount for lack of marketability of 20.70% was adopted.

### **CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

**LIMITING CONDITIONS**

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made, nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Target Company over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

**CONCLUSION OF VALUE**

In our opinion, on the basis of the information made available to us, the market value of 100% equity interest of Ningxia Tianyuan Power Generation Company Limited as of 30 June 2019 is reasonably estimated at:

**RMB 168,940,000**

**(RENMINBI ONE HUNDRED AND SIXTY EIGHT MILLION NINE HUNDRED AND FORTY THOUSAND)**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Vincorn Consulting and Appraisal Limited. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

Yours faithfully,

For and on behalf of

**Vincorn Consulting and Appraisal Limited**

**Freddie Chan**

*BBA-FIN (Hons) CFA ACCA FRM MRICS*

*Executive Director*

**Vincent Cheung**

*BSc (Hons) MBA FRICS MHKIS RPS(GP)*

*MCIREA MHKSI MISC MHIREA*

*Registered Real Estate Appraiser & Agent PRC  
Managing Director*

*Note:*

*Mr. Vincent Cheung holds a master's degree of Business Administration and he is a Registered Professional Surveyor (General Practice) with over 22 years' experiences in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Vincent is a fellow member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors, a member of the Institute of Shopping Centre Management, a member of the Hong Kong Securities and Investment Institute, a member of the Hong Kong Institute of Real Estate Administrators, a member of China Institute of Real Estate Appraisers and Agents and a Registered Real Estate Appraiser and Agent People's Republic of China.*

*Mr. Freddie Chan holds a bachelor's degree of Business Administration – Finance and he has gained over 10 years' experience in the valuation and finance field and has been involved in many complicated and challenging mergers & acquisitions as well as IPO projects located in Hong Kong, Mainland China, Macau, Taiwan, South Korea, Vietnam, Cambodia and other countries over the world. He is a Member of the Chartered Financial Analyst Institute, Member of Association of Chartered Certified Accountants, Financial Risk Manager, and Member of the Royal Institution of Chartered Surveyors.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and Chief Executive of the Company

At the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

#### *Long positions in the Shares and underlying shares of the Company*

Name of Director	Capacity and nature of interests	Number of Shares held/ Underlying shares held	Approximate % of issued Shares (Note 1)
Chan Kwong Fat, George	Beneficial owner	10,000,000	0.047%
Siu Hi Lam, Alick	Beneficial owner	7,000,000	0.033%
Ng Tze Kin, David	Beneficial owner	9,000,000	0.043%

#### *Notes:*

- The calculation is based on the total number of 21,084,072,140 Shares in issue as at the Latest Practicable Date.

**(b) Interests of substantial shareholders**

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the interests of certain Directors or chief executive disclosed under the section headed “Interests of Directors and Chief Executive of the Company” above) had interest in the Shares as recorded in the register required to be kept by the Company under section 336 of the Part XV of the SFO:

Name of shareholder	Capacity and nature of interest	Number of Shares held/ Underlying shares held	Approximate percentage of issued Shares <i>(note 3)</i>
Sun Le	Interest of controlled corporation	5,040,000,000 (L) <i>(note 1)</i>	23.90%
Sheen Success Investments Limited	Beneficial owner	5,040,000,000 (L) <i>(note 1)</i>	23.90%
Zhou Qihong	Interest of controlled corporation	3,215,322,140 (L) <i>(note 2)</i>	15.25%
Ying Sheng Investment Co., Ltd	Beneficial owner	3,215,322,140 (L) <i>(note 2)</i>	15.25%

*Notes:*

1. These shares were beneficially owned by Sheen Success Investments Limited which was wholly owned by Sun Le. Accordingly, Sun Le was deemed to be interested in 5,040,000,000 shares under the SFO.
2. These shares were beneficially owned by Ying Sheng Investment Co., Ltd which was wholly owned by Zhou Qihong. Accordingly, Zhou Qihong was deemed to be interested in 3,215,322,140 shares under the SFO.
3. The approximate percentage of the Company’s issued share capital was calculated on the basis of 21,084,072,140 shares of the Company as at the Latest Practicable Date.
4. The letters “L” and “S” denote long position and short position in the Shares respectively.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

At the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

Since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **3. DIRECTORS' SERVICE CONTRACTS**

At the Latest Practicable Date, none of the Directors had entered or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### **4. COMPETING BUSINESS INTERESTS OF DIRECTORS**

None of the Directors or their respective close associates had any interest in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

### **5. LITIGATION**

At the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

### **6. MATERIAL CONTRACTS**

Save and except the Sale and Purchase Agreement and contracts entered into in the ordinary course of business, there has been no contract entered into by the Group within the two years immediately preceding the date of this circular, which were or might be material.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office of the Company situated at Unit 3201-09, 32/F., Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2017, 2018 and 2019;
- (c) the valuation report rendered by Vincorn Consulting and Appraisal Limited, the extract of which is exhibited to Appendix II to this circular;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (e) this circular.

**8. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Leung Ho Yan Julian, who is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 3201-09, 32/F., Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.



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## NOTICE OF SGM

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# 新源萬恒 控股有限公司 New Provenance Everlasting Holdings Limited

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 2326)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “SGM”) of New Provenance Everlasting Holdings Limited (the “Company”) will be held at 11:00 a.m. on Thursday, 31 October 2019 at Unit 3201-09, 32nd Floor, Shui On Centre, No. 6-8 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving with or without amendments the following resolutions as an ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 16 October 2019.

### ORDINARY RESOLUTION

**1. THAT:**

- (a) the sale and purchase agreement dated 11 September 2019 entered into between BEP Power Generation Company Limited (百靈達發電有限公司) and Ningxia Tianyuan Manganese Industry Group Co., Ltd\* (寧夏天元錳業集團有限公司) in relation to the sale and purchase of the entire equity interests of Ningxia Tianyuan Power Generation Company Limited\* (寧夏天元發電有限公司) be hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to execute (including affixing the seal of the Company in accordance with the memorandum of association and bye-laws of the Company to) all such documents and do all such acts and things as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and all matters incidental or ancillary thereto.

By Order of the Board

**Sin Lik Man**

*Chairman and Chief Executive Officer*

Hong Kong, 16 October 2019

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## NOTICE OF SGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof.
3. The register of members of the Company will be closed from Monday, 28 October 2019 to Thursday, 31 October 2019, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the SGM. In order to qualify for attending and voting at the SGM, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 25 October 2019.
4. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked.
5. In the case of joint registered holders of any share, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders are present at the SGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at ([www.npegroup.com.hk](http://www.npegroup.com.hk)) and on the HKEXnews website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify the Shareholders of the date, time and venue of the rescheduled meeting.
7. At the SGM (or at any adjournment thereof), the chairman of the meeting will put the above resolution to the vote by way of poll pursuant to the Listing Rules. The poll results will be published on the website of the Company and the website of the Stock Exchange in accordance with the Listing Rules.
8. In case of inconsistency between the English and Chinese version of this notice of SGM, the English version shall prevail.