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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8117)

CONTINUING CONNECTED TRANSACTIONS

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On 5 August 2024, China Primary Utilisation, being an indirect non-wholly owned subsidiary of the Company, entered into the Natural Gas Transmission Agreement with Yiling China Primary Thermal Power, pursuant to which China Primary Utilisation agreed to provide Natural Gas Transmission Services to Yiling China Primary Thermal Power for a term of three years commencing from the date of the Natural Gas Transmission Agreement.

GEM LISTING RULES IMPLICATIONS

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) Yiling China Primary Thermal Power is statutorily owned as to 90% by Beijing Jingneng and 10% by China Primary Shenzhen, an indirect wholly-owned subsidiary of the Company; and (ii) China Primary Utilisation, is statutorily owned as to 51% by China Primary Shenzhen and 49% by Beijing Jingneng as at the date of this announcement. Yiling China Primary Thermal Power, being a non-wholly owned subsidiary of Beijing Jingneng, is thus a connected person of the Company at subsidiary level under Chapter 20 of the GEM Listing Rules.

As Beijing Jingneng, Yiling China Primary Thermal Power and their associates are connected persons of the Company under Chapter 20 of the GEM Listing Rules, the transactions contemplated under the Natural Gas Transmission Agreement constitutes continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As (i) Yiling China Primary Thermal Power is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Natural Gas Transmission Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Natural Gas Transmission Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

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Principal terms of the Natural Gas Transmission Agreement

Date:	5 August 2024
Parties:	(i) China Primary Utilisation, as service provider; and (ii) Yiling China Primary Thermal Power.
Subject:	China Primary Utilisation agreed to provide Natural Gas Transmission Services to Yiling China Primary Thermal Power by transmitting natural gas through the pipeline owned by China Primary Utilisation from the natural gas transmission station(s) to the natural gas delivery point(s) designated by Yiling China Primary Thermal Power.
Term:	three years commencing from the date of the Natural Gas Transmission Agreement.
Consideration and pricing:	The initial transmission fee for the period from the date of the Natural Gas Transmission Agreement to 31 December 2024 shall be RMB0.298 per cubic meter of natural gas in standard state (equivalent to approximately HK\$0.325). Thereafter, the transmission fee shall be reviewed and determined on an annual basis at the beginning of each year in accordance with the manner set out in the paragraph headed "Basis of consideration" below.

Yiling China Primary Thermal Power shall pay to China Primary Utilisation a prepayment of RMB9,000,000 (equivalent to approximately HK\$9,801,000) upon the signing of the Natural Gas Transmission Agreement (the “**Prepayment**”). RMB250,000 (equivalent to approximately HK\$272,000) will be deducted from the Prepayment on a monthly basis upon the issue of invoice of the transmission fee by China Primary Utilisation and shall be deducted over the course of three years. In the event that the transmission fee for a particular month is less than RMB250,000, such transmission fee will be invoiced and deducted in the following month. In the event any transmission fee for a particular month is over RMB250,000, such amount exceeding RMB250,000 will be settled by cash.

- Basis of consideration: The transmission fee is/will be determined based on arm’s length negotiations according to the following factors:
- (a) the volume of natural gas to be transmitted by China Primary Utilisation for Yiling China Primary Thermal Power; and
 - (b) the industry gas transmission fee for transmission of natural gas at 西氣東輸忠武綫枝江分輸站 (for transliteration purpose only, the West-East Gas Pipeline Zhongwu Line Zhijiang Sub-transmission Station#).

Annual caps and basis of determination

Pursuant to the Natural Gas Transmission Agreement, it is proposed that the annual cap amounts for the provision of the Natural Gas Transmission Services for the period from 5 August 2024 to 31 December 2024, each of the two financial years ending 31 December 2025 and 2026, and the period from 1 January 2027 and 31 July 2027 shall not exceed the following:

	For the period from 5 August 2024 to 31 December 2024 RMB (million)	For the year ending 31 December 2025 RMB (million)	For the year ending 31 December 2026 RMB (million)	For the period from 1 January 2027 and 31 July 2027 RMB (million)
Annual cap	20	30	40	30

The above annual caps were determined mainly by reference to: (i) the estimated demands for natural gas by the customers of Yiling China Primary Thermal Power; (ii) an adequate buffer for a potential increase in demand as Yiling China Primary Thermal Power considers reasonable; and (iii) the prevailing gas transmission fee in the industry.

Reasons for and benefits of the Natural Gas Transmission Agreement

The Group is principally engaged in (i) transmission and distribution of natural gas; (ii) sales of heat and biomass gasification related products; and (iii) property investment in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2023, the transmission and distribution of natural gas is a core business of the Group. In recent years, the usage of natural gas has been growing rapidly worldwide and the PRC government has adopted new policy to encourage businesses and citizens to use clean energy in which natural gas is one of the most promoted energy. In view of the increasing demand for natural gas, the Group has expanded its natural gas business and completed the construction of the clean energy business in Yichang, the PRC which will commence full operation in 2024 and will be a major natural gas business location of the Group in 2024. Leveraging the close geographical locations between China Primary Utilisation and Yiling China Primary Thermal Power, the Company considers it is in its best interest to establish the business relationship between the Group and Yiling China Primary Thermal Power and/or its associates, provided that such parties shall pay to the Group transmission fee at prices comparable to market prices and are considered to be fair and reasonable to the Group. China Primary Utilisation therefore entered into the Natural Gas Transmission Agreement with Yiling China Primary Thermal Power to govern such business.

The terms of Natural Gas Transmission Agreement were determined after arm's length negotiations between the respective parties thereto. The Directors, including the independent non-executive Directors, consider that the Natural Gas Transmission Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the Natural Gas Transmission Agreement and its proposed annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION OF YILING CHINA PRIMARY THERMAL POWER

Yiling China Primary Thermal Power is a company established in the PRC with limited liability and is principally engaged in the production and selling of electricity power. Yiling China Primary Thermal Power is statutorily owned as to 90% by Beijing Jingneng and 10% by China Primary Shenzhen, being an indirect wholly-owned subsidiary of the Company. Beijing Jingneng is in turn a company established in the PRC and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 579).

GEM LISTING RULES IMPLICATIONS

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) Yiling China Primary Thermal Power is statutorily owned as to 90% by Beijing Jingneng and 10% by China Primary Shenzhen, an indirect wholly-owned subsidiary of the Company; and (ii) China Primary Utilisation, is statutorily owned as to 51% by China Primary Shenzhen and 49% by Beijing Jingneng as at the date of this announcement. Yiling China Primary Thermal Power, being a non-wholly owned subsidiary of Beijing Jingneng, is thus a connected person of the Company at subsidiary level under Chapter 20 of the GEM Listing Rules.

As Beijing Jingneng, Yiling China Primary Thermal Power and their associates are connected persons of the Company under Chapter 20 of the GEM Listing Rules, the transactions contemplated under the Natural Gas Transmission Agreement constitutes continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As (i) Yiling China Primary Thermal Power is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Natural Gas Transmission Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Natural Gas Transmission Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Beijing Jingneng”	Beijing Jingneng Clean Energy Co., Limited, a company established in the PRC with limited liability and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 579)
“China Primary Shenzhen”	中基能源(深圳)有限公司 (for transliteration purpose only, China Primary Energy (Shenzhen) Limited [#]), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company

“China Primary Utilisation”	宜昌中基天然氣利用有限公司 (for transliteration purpose only, Yichang China Primary Natural Gas Utilisation Company Limited [#]), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Company”	China Primary Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8117)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Natural Gas Transmission Agreement”	the agreement dated 5 August 2024 and entered into between China Primary Utilisation and Yiling China Primary Thermal Power, pursuant to which China Primary Utilisation agreed to provide Natural Gas Transmission Services to Yiling China Primary Thermal Power
“Natural Gas Transmission Services”	provision of natural gas transmission services by transmitting natural gas through the pipeline owned by China Primary Utilisation from the natural gas transmission station(s) to the natural gas delivery point(s) designated by Yiling China Primary Thermal Power
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prepayment”	has the meaning ascribed thereto in paragraph headed “Consideration and pricing” under the section headed “Principal terms of the Natural Gas Transmission Agreement”

“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.0625 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yiling China Primary Thermal Power”	宜昌市夷陵區中基熱電有限公司 (for transliteration purpose only, Yichang City Yiling District China Primary Thermal Power Co. Limited [#]), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 August 2024

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

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.089. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may have been exchanged at this or any other rates or at all

As at the date of this announcement, the Board comprises Ms. MA Zheng and Mr. YUAN Geng who are the executive Directors, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. SUNG Ren Keh who are the independent non-executive Directors.

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

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