



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 report 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 report misleading.*



## ***HIGHLIGHTS***

Turnover for the nine months ended 30 September 2015 was approximately HK\$108,432,000 (nine months ended 30 September 2014: approximately HK\$51,127,000), representing an increase of approximately 112% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$35,228,000 (nine months ended 30 September 2014: loss of approximately HK\$26,159,000).

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).

## ***UNAUDITED RESULTS***

The board of Directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2015 together with the comparative figures as follows. The consolidated third quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND COMPREHENSIVE INCOME**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	39,937	25,887	108,432	51,127
Other income and gains and losses	3	(268)	140	(1,397)	344
Cost of sales		(32,268)	(23,123)	(89,496)	(50,665)
Staff costs, including directors' remuneration		(8,165)	(3,916)	(21,292)	(11,486)
Depreciation		(2,513)	(1,414)	(6,181)	(4,018)
Amortisation of land use rights		(188)	(199)	(590)	(583)
Amortisation of other intangible assets		(357)	-	(1,069)	-
Other operating expenses		(5,919)	(4,495)	(18,963)	(11,115)
Share of (loss)/profit of an associate		(408)	135	(812)	321
Finance costs	4	(1,935)	(90)	(4,328)	(315)
Loss before income tax	5	(12,084)	(7,075)	(35,696)	(26,390)
Income tax	6	-	-	-	-
Loss for the period		(12,084)	(7,075)	(35,696)	(26,390)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(10,098)	3,439	(12,086)	(3,980)
Other comprehensive income for the period		(10,098)	3,439	(12,086)	(3,980)
Total comprehensive income for the period		(22,182)	(3,636)	(47,782)	(30,370)
Loss attributable to:					
Owners of the Company		(12,383)	(7,056)	(35,228)	(26,159)
Non-controlling interests		299	(19)	(468)	(231)
		(12,084)	(7,075)	(35,696)	(26,390)
Total comprehensive income attributable to:					
Owners of the Company		(22,365)	(3,617)	(47,203)	(30,139)
Non-controlling interests		183	(19)	(579)	(231)
		(22,182)	(3,636)	(47,782)	(30,370)
Basic and diluted loss per share	8	(1.33 cents)	(0.95 cents)	(4.09 cents)	(4.11 cents)



## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES**

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and transmission and distribution of natural gas which operates primarily in the PRC market.

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The accounting policies adopted in the unaudited condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2015. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

## 2. TURNOVER

Turnover, which is also revenue, represents the net invoiced amounts received and receivable for sale of PE pipes and natural gas to customer. An analysis of the Group's turnover is as follows:

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of PE pipes and composite materials	12,338	14,529	39,640	35,955
Transmission and distribution of natural gas	27,599	11,358	68,792	15,172
	<u>39,937</u>	<u>25,887</u>	<u>108,432</u>	<u>51,127</u>

## 3. OTHER INCOME AND GAINS AND LOSSES

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	183	19	216	57
Gain on disposal of investments held for trading	1	61	4	61
Investment income from unlisted investment funds	-	-	-	-
Fair value loss or derivatives	-	-	(1,333)	-
Fair value (loss)/gain on investments held for trading	(781)	13	(1,120)	(95)
Sundry income	329	47	836	321
	<u>(268)</u>	<u>140</u>	<u>(1,397)</u>	<u>344</u>

#### 4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest expenses on convertible bonds	1,143	–	1,731	–
Interest expenses on a short term bank loan	249	–	907	–
Interest expenses on other borrowings	543	90	1,690	315
	<u>1,935</u>	<u>90</u>	<u>4,328</u>	<u>315</u>

#### 5. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss before income tax is arrived after charging:				
Minimum lease payments under operating lease charges in respect of land and buildings	879	407	2,584	1,299
Depreciation (Note)				
– Owned	4,736	3,689	13,100	10,677
– Held under finance leases	19	–	61	–
	<u>4,736</u>	<u>3,689</u>	<u>13,100</u>	<u>10,677</u>

*Note:* Depreciation charge included amount of HK\$2,241,000 and HK\$6,980,000 respectively for the three months and nine months ended 30 September 2015 (three months and nine months ended 30 September 2014: HK\$2,275,000 and HK\$6,659,000 respectively) recognised as cost of sales for the periods under review.

## 6. INCOME TAX

Income tax in the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income tax for the period	-	-	-	-

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior periods. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%. No provision for EIT has been made as the subsidiary sustained a loss during the periods under review.

## 7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).





## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Three months ended 30 September		Nine months ended 30 September	
2015	2014	2015	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

### Loss:

Loss for the purposes of basic and diluted loss per share

<b>12,383</b>	7,056	<b>35,228</b>	26,159
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Three months ended 30 September		Nine months ended 30 September	
2015	2014	2015	2014
'000	'000	'000	'000

### Number of shares:

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share

<b>930,898</b>	741,117	<b>860,788</b>	636,457
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As the convertible bonds and share options outstanding during the the three months and nine months ended 30 September 2015 had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in the three months and nine months ended 30 September 2015. Accordingly, the basic and diluted loss per share for the respective reporting periods are the same.

## 9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014	30,180	443,564	17,922	-	5,110	1,564	81,656	(365,918)	33,905	247,983
Loss for the period	-	-	-	-	-	-	-	(26,159)	(231)	(26,390)
Other comprehensive income	-	-	-	-	-	-	(3,980)	-	-	(3,980)
Total comprehensive income	-	-	-	-	-	-	(3,980)	(26,159)	(231)	(30,370)
Issue of Rights Shares, net of expenses	15,090	34,834	-	-	-	-	-	-	-	49,924
Subscription of new shares	6,036	32,595	-	-	-	-	-	-	-	38,631
Acquisition of equity interest of subsidiary	-	-	-	-	-	-	-	-	7,629	7,629
Balance at 30 September 2014	51,306	510,993	17,922	-	5,110	1,564	77,676	(392,077)	41,303	313,797

Equity attributable to owners of the Company

	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Balance at 1 January 2015	51,306	510,993	-	-	5,179	-	64,528	(394,670)	9,009	246,345
Loss for the period	-	-	-	-	-	-	-	(35,228)	(468)	(35,696)
Other comprehensive income	-	-	-	-	(1)	-	(11,974)	-	(111)	(12,086)
Total comprehensive income	-	-	-	-	(1)	-	(11,974)	(35,228)	(579)	(47,782)
Recognition of equity-settled share based compensation	-	-	-	5,366	-	-	-	32	-	5,398
Subscription of shares	6,875	146,025	-	-	-	-	-	-	-	152,900
Acquisition of equity interest of subsidiary	-	-	-	-	-	-	-	-	13,056	13,056
Balance at 30 September 2015	58,181	657,018	-	5,366	5,178	-	52,554	(429,866)	21,486	369,917


## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and future outlook**

Turnover of the Group for the nine months ended 30 September 2015 increased when compared to the corresponding period in 2014. Such significant increase was mainly because the turnover of the Polyethylene pipes (“PE pipes”) business was sustained and the turnover of the natural gas business was not included in the Group in the first quarter of 2014. In the reporting period, the natural gas business contributed significant turnover to the Group. The board of directors (the “Board”) believes that turnover of the Group will be further improved with the new natural gas business and anticipated improvement of the PE pipes business. In turn, the result of the Group will be improved accordingly.

The business segment of the PE pipes has been the one of the core businesses of the Group during the period under review and continued as one of the main businesses of the Group in 2015. The PE pipes are products used for construction and city development in the People’s Republic of China (the “PRC”). The Group’s major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under continuous improvement of turnover and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in the later part of 2015 and in the long term.

In view of the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. Natural gas is now using for industrial, domestic and transportation purposes and it has a trend to replace ordinary energies like coal and petrol. With the acquisition of Fujian China Primary Energy Limited# (福建中基能源有限公司), Ningguo Ruide Natural Gas Company Limited# (寧國瑞德天然氣有限公司) and the formation of China Primary Blueprint (Shenzhen) Energy Limited# (中基藍印(深圳)能源有限公司) in the year of 2014, the natural gas business is heading towards the right direction. On the other hand, the acquisition of Wuhu Shengyuteng Natural Gas Pipeline Company Limited# (蕪湖盛譽騰天然氣管道有限公司) was completed in the third quarter of 2015. As a result, the natural gas business is expanding and will become the most significant business of the Group in the near future.



In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

### **Issue of the Convertible Bonds**

On 17 February 2015, the Company entered into the conditional subscription agreement (the "CB Subscription Agreement") with Golden Peak Minerals Limited (the "CB Subscriber"), pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK\$60,000,000 (the "Convertible Bonds").

Based on the initial conversion price of HK\$1.00 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Share(s)") has been allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represented: (i) approximately 7.31% of the issued share capital of the Company as at the date of the CB Subscription Agreement; and (ii) approximately 6.81% of the issued share capital of the Company as at the date of completion as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The net proceeds of the subscription of approximately HK\$59,400,000 will be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and working capital of the Group.

The Convertible Bonds shall not be converted into conversion shares for the period from the date of issue of the Convertible Bonds to the date falling three years after the issue of the Convertible Bonds.

The Conversion Price is initially HK\$1.00 per Conversion Share, subject to adjustment for subdivision or consolidation of shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company.

The Convertible Bonds were issued on 8 May 2015.

### **Grant of share options**

On 10 April 2015, the Board had resolved to grant share options to certain individuals to subscribe for a total of 81,720,000 ordinary shares of HK\$0.0625 each (with exercise price of HK\$0.87 per share) in the share capital of the Company under the share option scheme adopted by the Company on 8 May 2012.

Details are set out in the announcement dated 10 April 2015 of the Company.


### **Subscription of new shares**

On 9 June 2015, the Company entered into the subscription agreement (the “Shares Subscription Agreement”) with Ultra Vantage Holdings Limited (the “Shares Subscriber”), pursuant to which the Shares Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 110,000,000 new Shares (the “Subscription Share(s)”) at the subscription price of HK\$1.39 per Subscription Share (the “Shares Subscription”).

The subscription price of HK\$1.39 per Subscription Share represented a discount of approximately 11.46% to the closing price of HK\$1.57 per Share as quoted on the Stock Exchange on 9 June 2015, being the date of the Shares Subscription Agreement.

By entering into the Shares Subscription Agreement, the Group can enhance its working capital and strengthen the assets and financial position for future development and operation of the Group. Furthermore, the Shares Subscription will bring in new shareholder and will broaden the shareholder base of the Company.

The gross proceeds of the Shares Subscription are approximately HK\$152.9 million.



The completion of the Shares Subscription has taken place on 24 June 2015 pursuant to the terms of the Shares Subscription Agreement and all the 110,000,000 Subscription Shares have been issued and allotted to the Shares Subscriber in accordance with the terms and conditions of the Shares Subscription Agreement.

Details are set out in the announcements dated 9 June 2015 and 24 June 2015 of the Company.

### **Financial review**

Turnover was approximately HK\$108,432,000 for the nine months ended 30 September 2015, which represented an increase of approximately 112% when compared with approximately HK\$51,127,000 in the corresponding period of last year. The Board believes that turnover of the Group will be further improved with the continue development of the natural gas business and anticipated improvement of the PE pipes business.

For the nine months ended 30 September 2015, unaudited loss before income tax was approximately HK\$35,696,000 (nine months ended 30 September 2014: loss of approximately HK\$26,390,000). The loss attributable to owners of the Company was approximately HK\$35,228,000 (nine months ended 30 September 2014: loss of approximately HK\$26,159,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders of the Company.

### **Liquidity and financial resources**

As at 30 September 2015, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION***

As at 30 September 2015, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interests set out below is based on 930,897,672 ordinary shares in issue as at 30 September 2015.

- (i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 2015:*

Name of Director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	357,591,632	38.41%



(ii) Long position in the underlying shares or debentures of the Company as at 30 September 2015:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share Options (Note)	820,000	0.09%
Mr. Wong Pui Yiu	Beneficial	Share Options (Note)	3,500,000	0.38%
Mr. Wan Tze Fan Terence	Beneficial	Share Options (Note)	700,000	0.08%
Mr. Chung Chin Keung	Beneficial	Share Options (Note)	700,000	0.08%
Mr. Wang Xiao Bing	Beneficial	Share Options (Note)	700,000	0.08%

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

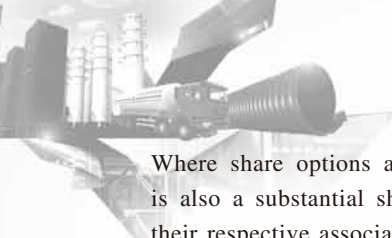
Save as disclosed above, as at 30 September 2015, none of the directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## ***SHARE OPTION***

On 8 May 2012, a new share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which share options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders.



Where share options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the share options granted and to be granted (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.


The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any share options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of share options.

On 10 April 2015, share options of 81,720,000 were granted by the Company to certain individuals at exercise price HK\$0.87 per share.

As at 30 September 2015, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 78,989,767. As a result, 78,989,767 shares of the Company could be issued which represented about 8.49% of the issued share capital of the Company as at 30 September 2015 if all the share options were granted and exercised.

Details of the Share Options granted by the Company under the Share Option Scheme to eligible persons and movement in such holding during the period are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	As at 30 September 2015
<b>Directors</b>								
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	820,000	-	-	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	3,500,000	-	-	3,500,000
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	700,000	-	-	700,000
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	700,000	-	-	700,000
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	700,000	-	-	700,000
<b>Sub-total</b>				<b>-</b>	<b>6,420,000</b>	<b>-</b>	<b>-</b>	<b>6,420,000</b>
<b>Others</b>								
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	-	75,300,000	-	3,100,000	72,200,000
<b>Sub-total</b>				<b>-</b>	<b>75,300,000</b>	<b>-</b>	<b>3,100,000</b>	<b>72,200,000</b>
<b>Total</b>				<b>-</b>	<b>81,720,000</b>	<b>-</b>	<b>3,100,000</b>	<b>78,620,000</b>



## ***SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY***

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2015, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interest set out below is based on 930,897,672 ordinary shares in issue as at 30 September 2015.

(i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 2015:*

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of shares held</b>	<b>Approximate percentage of interests</b>
Ms. Guo Xiuqin	Corporate	123,867,678	13.31%
Tung Shing Energy Investment Limited	Corporate	123,867,678	13.31%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	13.31%
Mr. Ji Shengzhi	Corporate	110,000,000	11.82%
Ms. Lu Ke	Corporate	110,000,000	11.82%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	11.82%

*Notes:*

1. Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.
2. Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.


(ii) *Long position in the underlying shares or debentures of the Company as at 30 September 2015:*

<b>Name</b>	<b>Type of interests</b>	<b>Description of derivatives</b>	<b>Number of underlying shares</b>	<b>Approximate percentage of interests</b>
Golden Peak Minerals Limited	Beneficial	Convertible Bonds in the principal amount of HK\$60,000,000 <i>(Note)</i>	60,000,000	6.45%

*Note:*

On 17 February 2015, the Company entered into the conditional subscription agreement (the “CB Subscription Agreement”) with Golden Peak Minerals Limited (the “CB Subscriber”), pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK\$60,000,000 (the “Convertible Bonds”). Golden Peak Minerals Limited is wholly-owned by Mr. He Xiaoyang, independent third party. Details are set out in the announcements dated 17 February 2015 and 8 April 2015, the circular dated 11 March 2015 of the Company and under the heading “Issue of the Convertible Bonds” above.

The Convertible Bonds were issued on 8 May 2015.



Save as disclosed above, as at 30 September 2015, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### ***DIRECTORS' RIGHTS TO ACQUIRE SHARES***

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### ***COMPETITION AND CONFLICT OF INTERESTS***

During the period under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

## ***AUDIT COMMITTEE***

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. The Audit Committee has reviewed the Group’s unaudited results for the nine months ended 30 September 2015 and has provided advice and comments thereon.

## ***REMUNERATION COMMITTEE***

The remuneration committee of the Company (the “Remuneration Committee”) was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group’s remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the period under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.





## ***NOMINATION COMMITTEE***

The nomination committee of the Company (the “Nomination Committee”) was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the period under review, the Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

## ***PURCHASE, SALE OR REDEMPTION OF SECURITIES***

The Company had not redeemed any of its ordinary shares during the nine months ended 30 September 2015. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the nine months ended 30 September 2015.

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

Hong Kong, 10 November 2015

\* *The English translation of Chinese names or words in this report, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

*As at the date of this report, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.*