



First Quarterly Report **2019**



**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)

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***HIGHLIGHTS***

Total revenue was approximately HK\$23,083,000 for the three months ended 31 March 2019 (three months ended 31 March 2018: approximately HK\$43,766,000), representing a decrease of approximately 47.3% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$1,215,000 (three months ended 31 March 2018: loss of approximately HK\$11,213,000).

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: 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 three months ended 31 March 2019 together with the comparative figures as follows. The consolidated first 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 OTHER COMPREHENSIVE INCOME**

	Notes	Three months ended 31 March	
		2019 HK\$'000	2018 HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue	2	23,083	38,441
Other income and gains and losses	3	(506)	(197)
Changes in inventories of finished goods and work in progress		(13,167)	(28,642)
Staff costs, including directors' remuneration		(6,418)	(8,289)
Depreciation		(4,181)	(2,563)
Amortisation of land use rights		(96)	(161)
Amortisation of other intangible assets		(95)	(95)
Other operating expenses		(6,149)	(4,608)
Gain on disposal of an associate		8,394	–
Share of loss of an associate		(94)	(165)
Finance costs	4	(919)	(1,095)
Loss before income tax	5(a)	(148)	(7,374)
Income tax	6	–	–
Loss from continuing operations		(148)	(7,374)
<b>Discontinued operations</b>			
Loss from discontinued operations	5(b)	–	(3,210)
Loss for the period		(148)	(10,584)
Attributable to:			
Owners of the Company			
– From continuing operations		(1,215)	(7,791)
– From discontinued operations		–	(3,422)
		(1,215)	(11,213)
Non-controlling interests		1,067	629
Loss for the period		(148)	(10,584)

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2019</b>	2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			(Re-presented)
Other comprehensive income:			
Items that may be reclassified			
subsequently to profit or loss:			
Exchange differences on			
translation of foreign operations		<u>11,507</u>	<u>15,018</u>
Other comprehensive income		<u>11,507</u>	<u>15,018</u>
for the period			
Total comprehensive income		<u>11,359</u>	<u>4,434</u>
for the period			
Total comprehensive income			
attributable to:			
Owners of the Company			
– From continuing operations		9,727	1,063
– From discontinued operations		–	1,887
Non-controlling interests		<u>1,632</u>	<u>1,484</u>
		<u>11,359</u>	<u>4,434</u>
Losses per share from continuing			
and discontinued operations	8		
– Basic		<u>(0.001)</u>	<u>(0.012)</u>
– Diluted		<u>(0.001)</u>	<u>(0.012)</u>
Losses per share from continuing			
operations	8		
– Basic		<u>(0.001)</u>	<u>(0.008)</u>
– Diluted		<u>(0.001)</u>	<u>(0.008)</u>

## **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 Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon 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 transmission and distribution of natural gas, trading of electronic components and property investment primarily in the PRC.

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 financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2019. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods as prepared and presented.

## 2. REVENUE

An analysis of the Group's revenue is as follows:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Revenue from contracts with customers		
Trading of electronic components	5,989	21,666
Transmission and distribution of natural gas	15,443	16,362
Revenue from other sources		
Gross rental income	1,651	413
	<u>23,083</u>	<u>38,441</u>
<b>Discontinued operations</b>		
Revenue from contracts with customers		
Sales of PE pipes	–	5,325
	<u>–</u>	<u>5,325</u>
	<u>23,083</u>	<u>43,766</u>

## 3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Sundry income	214	(14)
Bank interest income	7	4
Fair value (loss)/gain on investments held for trading	(20)	16
Change in fair value of financial liabilities at fair value through profit or loss	(707)	(203)
	<u>(506)</u>	<u>(197)</u>

**4. FINANCE COSTS**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Interest on bank loans and other borrowings	<b>801</b>	774
Finance lease interest	<b>118</b>	321
	<u>          </u>	<u>          </u>
	<b>919</b>	1,095
	<u>          </u>	<u>          </u>

**5. LOSS BEFORE INCOME TAX****(a) Loss before income tax is arrived at after charging:**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Minimum operating lease payments in respect of land and buildings	<b>1,033</b>	1,133
Depreciation of property, plant and equipment		
– Owned	<b>3,273</b>	1,601
– Held under finance leases	<b>908</b>	962
	<u>          </u>	<u>          </u>
	<b>4,181</b>	2,563
	<u>          </u>	<u>          </u>

**(b) Discontinued operations**

The Group decided to cease its manufacture and sales of PE pipes business in light of persistently net loss suffered by the Group. Plant and machinery and inventories related to this business have been disposed of or written off, and the employees have been made redundant during the year ended 31 December 2018. Consequently, the operation has been discontinued.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	–	5,325
Other losses	–	(21)
Expenses	–	(8,514)
	<u>–</u>	<u>(8,514)</u>
Loss before income tax	–	(3,210)
Income tax	–	–
	<u>–</u>	<u>–</u>
Loss for the period from discontinued operations	–	(3,210)
	<u>–</u>	<u>(3,210)</u>

**6. INCOME TAX**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Income tax for the period	–	–
	<u>–</u>	<u>–</u>

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong subsidiaries during the current and prior periods.

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 Company's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

Income tax for the period can be reconciled to accounting loss, at applicable tax rates:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loss from continuing operations before income tax	(148)	(7,374)
Loss from discontinued operations before income tax	—	(3,210)
	<u>          </u>	<u>          </u>
Loss before income tax	<b><u>          (148)</u></b>	<b><u>          (10,584)</u></b>

#### 7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

#### 8. LOSS PER SHARE

##### From continuing and discontinued operations

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to owners of the Company	(1,215)	(11,213)
	<u>          </u>	<u>          </u>
	<b><u>          (1,215)</u></b>	<b><u>          (11,213)</u></b>

**From continuing operations**

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period from continuing and discontinued operations	<b>(1,215)</b>	(11,213)
Less: loss for the period from discontinued operations	<u>          —</u>	<u>          (3,422)</u>
Loss from continuing operations	<b><u>          (1,215)</u></b>	<b><u>          (7,791)</u></b>

The denominator used for both loss per share from continuing and discontinued operations is the weighted average number of ordinary shares of 1,023,987,439 (three months ended 31 March 2018: 954,687,279) in issue during the period.

The computation of diluted losses per share for the three months ended 31 March 2019 and 2018 does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their conversion and exercise had an anti-dilutive effect on the basic loss per share. Accordingly, the basic and diluted loss per share for the three months ended 31 March 2019 and 2018 are the same.

**From discontinued operations**

Basic and diluted losses per share from the discontinued operations is nil (three months ended 31 March 2018: HK\$0.0036) per share, based on the loss for the period from the discontinued operations.

Diluted earnings per share are the same as basic earnings per share for the three months ended 31 March 2019 and 2018 since the denominators used are the same as those detailed above for both basic and diluted losses per share.

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

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Convertible bonds equity reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2018 (audited)	58,181	657,018	80,179	5,109	42,226	28,525	7,656	(565,218)	313,676	30,532	344,208
Loss for the period	-	-	-	-	-	-	-	(11,213)	(11,213)	629	(10,584)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	14,163	-	-	-	14,163	855	15,018
Total comprehensive income	-	-	-	-	14,163	-	-	(11,213)	2,950	1,484	4,434
Equity-settled share-based transactions	-	-	-	-	-	2,578	-	-	2,578	-	2,578
Subscription of shares	5,818	70,357	-	-	-	-	-	-	76,175	-	76,175
Balance at 31 March 2018 (unaudited)	63,999	727,375	80,179	5,109	56,389	31,103	7,656	(576,431)	395,379	32,016	427,395

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Share premium account HK\$'000	Convertible bonds equity reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2019 (audited)	63,999	727,375	80,179	5,109	29,208	32,418	34,512	(13)	(570,051)	402,736	20,291	423,027
Loss for the period	-	-	-	-	-	-	-	-	(1,215)	(1,215)	1,067	(148)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	10,942	-	-	-	-	10,942	565	11,507
Total comprehensive income	-	-	-	-	10,942	-	-	-	(1,215)	9,727	1,632	11,359
Balance at 31 March 2019 (unaudited)	63,999	727,375	80,179	5,109	40,150	32,418	34,512	(13)	(571,266)	412,463	21,923	434,386

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

Total revenue of the Group for the three months ended 31 March 2019 decreased when compared to the corresponding period in 2018. Such decrease was mainly due to the decrease in revenue of the trading business and no contribution from the discontinued operation. The demand of the electronic components reduced during the period under review when compared to the corresponding period of last year. The decrease may due to the uncertainty arised from the US-China trade war. However, the decrease in revenue did not have significant effect on the performance of the Group. The board (the “Board”) of directors (the “Director(s)”) believes that revenue of the Group will be improved with the further development of the clean energy business and the trading business. Therefore, the results of the Group will be improved accordingly.

The natural gas business is the core business of the Group. Operating scale of the natural gas business segment continued to grow in 2019. In view of the PRC government has implemented the policy to use clean energy in the People’s Republic of China (the “PRC”), the prospect of natural gas business is very bright. The Group operated the natural gas business in various areas and provinces in the PRC in 2019. Our customers are mostly industrial customers.

With the Group’s years of investment, experience and network in the natural gas business, the Group has been making good use of natural gas synergy effect in its business development, and has been focusing on natural gas-related clean energy projects. Natural gas combined heat and power cogeneration business is one of the Group’s development direction. After years of research and negotiation, the Company’s wholly-owned subsidiary, Yichang City Yiling District China Primary Thermal Power Limited<sup>#</sup>, has obtained the consent from Yichang City, Hubei Province, China to develop natural gas combined heat and power cogeneration business in Yiling District, Yichang City. The Group believes that with the development of natural gas combined heat and power cogeneration business and other natural gas-related clean energy businesses, it is expected that the Group’s performance and profitability will be greatly improved in the future.

As a result of business transformation of the subsidiaries in Yichang, the manufacturing segment ceased to operate in the third quarter of 2018. In order to broaden the revenue sources of the Group, after years of investigation, the Group started its letting business in Yichang since 2017. Rental income became a new business segment of the Group. From September 2018 onwards, the land and buildings held by the Company's wholly-owned subsidiaries at Yao Ting District, Yichang City, the PRC (the "Property") was named as China Primary Sky Valley Vehicle Parts Industrial Park# (中基天谷汽車零部件產業園) ("China Primary Sky Valley Industrial Park"). The naming is in line with the business transformation on the Property by the Group in 2017. China Primary Sky Valley Industrial Park locates nearby Yichang Sanxia Airport. The whole park's area is approximately 213,000 square metres and the area let out is approximately 87,000 square metres. The rest of the area is also arranging to let out. In order to facilitate the development of Yao Ting District by the Yichang City government, the naming of China Primary Sky Valley Industrial Park can make the position of the Property clearer. Together with systematic planning and renovation, the naming can implement the achievement of the target to earn rental income by continue letting out of the Property as disclosed in the 2017 annual report of the Company. New tenants are mostly manufacturers of vehicle parts and are moving into China Primary Sky Valley Industrial Park successively.

In view of the unstable global political environment, the Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

### **Sale of Fujian Province Minsheng Gas Company Limited**

On 25 January 2019, China Primary (Shenzhen) Energy Technology Company Limited# (中基(深圳)能源技術有限公司) (the "Seller"), a subsidiary of the Company, entered into an equity transfer agreement with Xinao Gas Development Company Limited# (新奧燃氣發展有限公司) (the "Purchaser"), an independent third party, pursuant to which, the Seller agreed to sell and the Purchaser agreed to purchase the 21% share capital of Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) held by the Seller at a consideration of RMB10,500,000. Upon completion of the transaction, Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) will no longer be an associated company of the Company. The transaction was completed on 12 February 2019.

### **Financial review**

Total revenue was approximately HK\$23,083,000 for the three months ended 31 March 2019, which represented a decrease of approximately 47.3% when compared with approximately HK\$43,766,000 in the corresponding period of last year's total revenue. The Board believes that revenue of the Group will be improved with the growing of the clean energy business and increase contribution from the rental and trading business.

For the three months ended 31 March 2019, unaudited loss before income tax was approximately HK\$148,000 (three months ended 31 March 2018: loss of approximately HK\$10,584,000). The loss attributable to owners of the Company was approximately HK\$1,215,000 (three months ended 31 March 2018: loss of approximately HK\$11,213,000). Loss is mainly due to insufficient revenue generated in the reporting period. 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.

### **Business outlook and prospects**

From 2019 onwards, the Board believes that the Group will perform much better with the expansion of the energy segment, the trading segment and the property investment segment. Currently, the energy segment mainly consists of the natural gas business. The Group has developed a strong natural gas sales network. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will become the core business segment of the Group in the near future.

The land and properties in Yichang City will continue to be let out to generate rental income.

### **Liquidity and financial resources**

As at 31 March 2019, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

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

As at 31 March 2019, 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 1,023,987,439 ordinary shares in issue as at 31 March 2019.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2019:

Name of Director	Type of interests	<u>Number of ordinary shares held</u>		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		371,051,632	36.24%

- (ii) Long position in the underlying shares or debentures of the Company as at 31 March 2019:

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	0.08%
Mr. Wong Pui Yiu	Beneficial	Share options (Note)	3,500,000	0.34%
Mr. Wan Tze Fan Terence	Beneficial	Share options (Note)	700,000	0.07%
Mr. Chung Chin Keung	Beneficial	Share options (Note)	700,000	0.07%
Mr. Wang Xiao Bing	Beneficial	Share options (Note)	700,000	0.07%

*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 31 March 2019, 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 May 2016, the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme was refreshed to 93,089,767, being 10% of the number of issued Shares as at 10 May 2016.

As at 31 March 2019, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 152,359,767. As a result, 152,359,767 shares of the Company could be issued which represented about 14.88% of the issued share capital of the Company as at 31 March 2019 if all the share options were granted and exercised.

As at 31 March 2019, the remaining life of the Share Option Scheme was approximately 3 years and 2 months.

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					Outstanding as at 31 March 2019
				Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
<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>6,420,000</b>	<b>-</b>	<b>-</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	53,250,000	-	-	(400,000)	-	52,850,000
Consultants	12 October 2018	12 October 2018 – 12 October 2019	0.71	90,000,000	-	-	-	-	90,000,000
<b>Sub-total</b>				<b>143,250,000</b>	<b>-</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>142,850,000</b>
<b>Total</b>				<b>149,670,000</b>	<b>-</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>149,270,000</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 31 March 2019, 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 interests set out below is based on 1,023,987,439 ordinary shares in issue as at 31 March 2019.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2019:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	123,867,678	12.10%
Tung Shing Energy Investment Limited	Corporate	123,867,678	12.10%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	12.10%
Mr. Ji Shengzhi	Corporate	110,000,000	10.74%
Ms. Lu Ke	Corporate	110,000,000	10.74%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	10.74%
萬科企業股份有限公司	Corporate	93,089,767	9.09%
成都萬科房地產有限公司	Corporate	93,089,767	9.09%

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Company Limited	Beneficial ( <i>Note 3</i> )	93,089,767	9.09%

*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.
3. Winmaxi (BVI) Company Limited (“Winmaxi”) is a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of China Vanke Co., Ltd.# (萬科企業股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited.

Winmaxi is wholly-owned by Winsteria (BVI) Company Limited, which in turn is wholly-owned by Chogori Investment (Hong Kong) Limited, which in turn is wholly-owned by 成都萬科房地產有限公司, while 成都萬科房地產有限公司 is a controlling subsidiary of 萬科企業股份有限公司.

- (ii) Long position in the underlying shares or debentures of the Company as at 31 March 2019:

<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	5.86%

*Note:*

On 17 February 2015, the Company entered into the conditional subscription agreement with Golden Peak Minerals Limited (the “CB Subscriber”), a company incorporated in the British Virgin Islands with limited liability, 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”). 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. As at the date of this report, Golden Peak Minerals Limited is jointly owned by Mr. He Xiaoyang and Mr. Yao Ge, both are independent third parties.

The Convertible Bonds were issued on 8 May 2015.

Save as disclosed above, as at 31 March 2019, 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 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 standards; 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 three months ended 31 March 2019 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 three months ended 31 March 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the three months ended 31 March 2019.

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

Hong Kong, 9 May 2019

*# 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, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.*