



Interim 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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*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 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***

Total revenue was approximately HK\$52,236,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$95,787,000), representing a decrease of approximately 45.5% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$6,176,000 (six months ended 30 June 2018: loss of approximately HK\$21,031,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 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 six months ended 30 June 2019 together with the comparative figures as follows. The consolidated interim 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 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)	
<b>Continuing operations</b>					
Revenue	2	29,153	40,282	52,236	78,723
Other income and gains and losses	3	(305)	(1,231)	(811)	(1,428)
Changes in inventories of finished goods and work in progress		(19,372)	(34,430)	(32,539)	(63,072)
Staff costs, including directors' remuneration		(4,785)	(6,098)	(11,203)	(14,387)
Depreciation		(5,376)	(2,912)	(9,557)	(5,475)
Amortisation of land use rights		(47)	(86)	(143)	(247)
Amortisation of other intangible assets		(94)	(94)	(189)	(189)
Other operating expenses		(3,493)	(4,247)	(9,642)	(8,855)
Gain on disposal of an associate		-	-	8,394	-
Share of loss of an associate		-	(174)	(94)	(339)
Finance costs	4	(1,146)	(1,209)	(2,065)	(2,304)
Loss before income tax	5(a)	(5,465)	(10,199)	(5,613)	(17,573)
Income tax	6	-	-	-	-
Loss from continuing operations		(5,465)	(10,199)	(5,613)	(17,573)
<b>Discontinued operations</b>					
Loss from discontinued operations	5(b)	-	(1,119)	-	(4,329)
Loss for the period		(5,465)	(11,318)	(5,613)	(21,902)
Attributable to:					
Owners of the Company					
- From continuing operations		(4,961)	(8,911)	(6,176)	(16,702)
- From discontinued operations		-	(907)	-	(4,329)
		(4,961)	(9,818)	(6,176)	(21,031)
Non-controlling interests		(504)	(1,500)	563	(871)
Loss for the period		(5,465)	(11,318)	(5,613)	(21,902)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)		(Re-presented)	
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(12,250)	(20,532)	(743)	(5,514)
Other comprehensive income for the period		(12,250)	(20,532)	(743)	(5,514)
Total comprehensive income for the period		(17,715)	(31,850)	(6,356)	(27,416)
Total comprehensive income attributable to:					
Owners of the Company					
– From continuing operations		(15,993)	(22,231)	(6,266)	(21,168)
– From discontinued operations		–	(7,813)	–	(5,926)
Non-controlling interests		(1,722)	(1,806)	(90)	(322)
		(17,715)	(31,850)	(6,356)	(27,416)
Losses per share from continuing and discontinued operations	8				
– Basic		(0.005)	(0.021)	(0.006)	(0.021)
– Diluted		(0.005)	(0.021)	(0.006)	(0.021)
Losses per share from continuing operations	8				
– Basic		(0.005)	(0.016)	(0.006)	(0.008)
– Diluted		(0.005)	(0.016)	(0.006)	(0.008)

# **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2019</b>	<b>31 December 2018</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>281,372</b>	264,935
Investment properties		<b>196,437</b>	196,513
Land use rights		<b>20,798</b>	18,373
Right of use assets		<b>9,649</b>	–
Goodwill		<b>28,036</b>	28,042
Other intangible assets		<b>2,648</b>	2,822
Interest in an associate		–	3,715
Equity instrument measured at fair value through other comprehensive income		<b>20</b>	20
<b>Total non-current assets</b>		<b>538,960</b>	514,420
<b>Current assets</b>			
Inventories		<b>5,852</b>	2,748
Trade receivables	10	<b>27,903</b>	31,442
Other receivables, deposits and prepayments		<b>72,983</b>	85,117
Investments held for trading		<b>205</b>	299
Cash and cash equivalents		<b>11,794</b>	38,588
<b>Total current assets</b>		<b>118,737</b>	158,194
<b>Total assets</b>		<b>657,697</b>	672,614
<b>Current liabilities</b>			
Trade payables	11	<b>43,652</b>	22,083
Other payables and accruals		<b>82,572</b>	110,681
Customers' deposits		<b>2,090</b>	–
Financial liabilities at fair value through profit or loss	12	<b>13,815</b>	12,907
Loans from a major shareholder		<b>398</b>	398
Obligations under finance leases		<b>3,510</b>	6,733
Borrowings	13	<b>42,219</b>	52,936
Lease liabilities		<b>2,211</b>	–
Tax payable		<b>339</b>	493
<b>Total current liabilities</b>		<b>190,806</b>	206,231
<b>Net current liabilities</b>		<b>(72,069)</b>	(48,037)

		<b>30 June 2019</b>	31 December 2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Loans from a major shareholder		<b>13,095</b>	13,246
Deferred tax liabilities		<b>27,144</b>	27,154
Lease liabilities		<b>7,026</b>	–
Obligations under finance leases		<b>2,955</b>	2,956
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>50,220</b>	43,356
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>241,026</b>	249,587
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>416,671</b>	423,027
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital	14	<b>63,999</b>	63,999
Reserves		<b>332,471</b>	338,737
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>396,470</b>	402,736
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>20,201</b>	20,291
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>416,671</b>	423,027
		<hr/> <hr/>	<hr/> <hr/>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company										
	Convertible									Non-	
	Share capital	Share premium account	bonds equity reserve	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Accumulated losses	Total	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	-	-	(21,031)	(21,031)	(871)	(21,902)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	(6,063)	-	-	-	(6,063)	549	(5,514)
Total comprehensive income	-	-	-	-	(6,063)	-	-	(21,031)	(27,094)	(322)	(27,416)
Equity-settled share-based transactions	-	-	-	-	-	2,578	-	-	2,578	-	2,578
Subscription of shares	5,818	70,357	-	-	-	-	-	-	76,175	-	76,175
Acquisition of shares of subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(5,887)	(5,887)
Balance at 30 June 2018 (unaudited)	63,999	727,375	80,179	5,109	36,163	31,103	7,656	(586,249)	365,335	24,323	389,658

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium account	Convertible bonds equity reserve	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at fair value through other comprehensive income reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019 (audited)</b>	63,999	727,375	80,179	5,109	29,208	32,418	34,512	(13)	(570,651)	402,736	20,291	423,027
Loss for the period	-	-	-	-	-	-	-	-	(6,176)	(6,176)	563	(5,613)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(90)	-	-	-	-	(90)	(653)	(743)
<b>Total comprehensive income</b>	-	-	-	-	(90)	-	-	-	(6,176)	(6,266)	(90)	(6,356)
<b>Balance at 30 June 2019 (unaudited)</b>	63,999	727,375	80,179	5,109	29,118	32,418	34,512	(13)	(576,227)	396,470	20,201	416,671



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Net cash used in operating activities	(26,365)	(49,105)
Net cash generated from/(used) in investing activities	12,415	(6,745)
Net cash (used in)/generated from financing activities	<u>(12,788)</u>	<u>69,773</u>
Net (decrease)/increase in cash and cash equivalents	(26,738)	13,923
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,588	10,841
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(56)</u>	<u>(117)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>11,794</u></u>	<u><u>24,647</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u><u>11,794</u></u>	<u><u>24,647</u></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, except for IFRS 16.

#### ***Adoption of IFRS 16***

The Group has changed its accounting policies following the adoption of IFRS 16 on 1 January 2019.

The Group leases office under non-cancellable operating leases expiring within 5 years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 2. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Revenue from contracts with customers				
Trading of electronic components	7,155	31,235	13,144	52,901
Transmission and distribution of natural gas	18,732	8,348	34,175	24,710
Revenue from other sources				
Gross rental income	3,266	699	4,917	1,112
	<u>29,153</u>	<u>40,282</u>	<u>52,236</u>	<u>78,723</u>
<b>Discontinued operations</b>				
Revenue from contracts with customers				
Sales of PE pipes	—	11,739	—	17,064
	<u>29,153</u>	<u>52,021</u>	<u>52,236</u>	<u>95,787</u>

**3. OTHER INCOME AND GAINS AND LOSSES**

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Sundry income	872	(8)	1,086	(22)
Bank interest income	10	43	17	47
Loss on disposal of property, plant and equipment	(912)	–	(912)	–
Fair value loss on investments held for trading	(74)	(61)	(94)	(45)
Change in fair value of financial liabilities at fair value through profit or loss	(201)	(1,205)	(908)	(1,408)
	<u>(305)</u>	<u>(1,231)</u>	<u>(811)</u>	<u>(1,428)</u>

**4. FINANCE COSTS**

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Interest on bank loans and other borrowings	738	709	1,539	1,483
Finance lease interest	408	500	526	821
	<u>1,146</u>	<u>1,209</u>	<u>2,065</u>	<u>2,304</u>

## 5. LOSS BEFORE INCOME TAX

## (a) Loss before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Minimum operating lease payments in respect of land and buildings	–	856	–	1,989
Depreciation of property, plant and equipment				
– Owned	4,522	3,288	7,795	6,433
– Held under finance leases	854	925	1,762	1,887
	<u>5,376</u>	<u>4,213</u>	<u>9,557</u>	<u>8,320</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.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	–	11,739	–	17,064
Other income	–	282	–	261
Expenses	–	(13,140)	–	(21,654)
	<u>–</u>	<u>(1,119)</u>	<u>–</u>	<u>(4,329)</u>
Loss before income tax	–	(1,119)	–	(4,329)
Income tax	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period from discontinued operations	<u>–</u>	<u>(1,119)</u>	<u>–</u>	<u>(4,329)</u>

## 6. INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	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 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss from continuing operations				
before income tax	(5,465)	(10,199)	(5,613)	(17,573)
Loss from discontinued operations				
before income tax	-	(1,119)	-	(4,329)
Loss before income tax	(5,465)	(11,318)	(5,613)	(21,902)



## 7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 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.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	<u>(4,961)</u>	<u>(9,818)</u>	<u>(6,176)</u>	<u>(21,031)</u>

### 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.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period from continuing and discontinued operations	<u>(4,961)</u>	<u>(9,818)</u>	<u>(6,176)</u>	<u>(21,031)</u>
Less: loss for the period from discontinued operations	<u>—</u>	<u>(907)</u>	<u>—</u>	<u>(4,329)</u>
Loss from continuing operations	<u>(4,961)</u>	<u>(8,911)</u>	<u>(6,176)</u>	<u>(16,702)</u>

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 (six months ended 30 June 2018: 989,528,796) in issue during the period.

The computation of diluted losses per share for the six months ended 30 June 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 six months ended 30 June 2019 and 2018 are the same.

**From discontinued operations**

Basic and diluted losses per share from the discontinued operations is nil (six months ended 30 June 2018: HK\$0.0045) 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 six months ended 30 June 2019 and 2018 since the denominators used are the same as those detailed above for both basic and diluted losses per share.

## 9 REPORTABLE SEGMENTS

For the six months ended 30 June 2019

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas	Trading of electronic components	Property investment	Total	Manufacture and sale of PE pipes	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	34,175	13,144	4,917	52,236	-	52,236
Reportable segment (loss)/profit	(2,308)	(627)	3,720	785	-	785
Reportable segment assets	318,542	14,040	283,036	615,618	-	615,618
Reportable segment liabilities	(58,592)	(7,617)	(81,387)	(147,596)	-	(147,596)
Other segment information:						
Bank interest income	8	-	-	8	-	8
Unallocated						9
Total bank interest income						17
Share of profit of an associate	(94)	-	-	(94)	-	(94)
Gain on partial disposal of an associate	8,394	-	-	8,394	-	8,394
Depreciation	(6,941)	(5)	-	(6,946)	-	(6,946)
Unallocated						(2,611)
Total depreciation						(9,557)
Amortisation of land use rights	(87)	-	-	(87)	-	(87)
Amortisation of other intangible assets	(189)	-	-	(189)	-	(189)
Additions to non-current assets	5,881	-	-	5,881	-	5,881

For the six months ended 30 June 2018

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas HK\$'000 (Unaudited)	Trading of electronic components HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Manufacture and sale of PE pipes HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	24,710	52,901	1,112	78,723	17,064	95,787
Reportable segment (loss)/profit	(1,477)	(1,300)	662	(2,115)	(4,422)	(6,537)
Reportable segment assets	381,262	34,473	42,292	458,027	84,074	542,101
Reportable segment liabilities	(75,490)	(6,911)	(7,587)	(89,988)	(27,229)	(117,217)
Other segment information:						
Bank interest income	5	–	–	5	87	92
Unallocated						42
Total bank interest income						134
Share of loss of an associate	(339)	–	–	(339)	–	(339)
Depreciation	(4,950)	–	–	(4,950)	(2,845)	(7,795)
Unallocated						(525)
Total depreciation						(8,320)
Amortisation of land use rights	–	–	–	–	(69)	(69)
Amortisation of other intangible assets	(189)	–	–	(189)	–	(189)
Interest in an associate	4,379	–	–	4,379	–	4,379
Additions to non-current assets	948	–	–	948	8	956

**10. TRADE RECEIVABLES**

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Trade receivables	<b>36,682</b>	40,727
Less: provision for impairment	<b>(8,779)</b>	(9,285)
	<b>27,903</b>	31,442

- (a) For the business of transmission and distribution of natural gas, credit terms are within 30 days to 60 days. In 2018, the Group's trading terms from sale of PE pipes and composite materials with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.
- (b) The table below reconciled the provision for impairment loss of trade receivables for the period:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
At beginning of the period/year	<b>9,285</b>	36,831
Amount written off during the year	—	(28,597)
Impairment loss recognised	—	6,267
Recovery of impairment loss previously recognised	<b>(501)</b>	(3,312)
Exchange realignment	<b>(5)</b>	(1,904)
At end of the period/year	<b>8,779</b>	9,285

- (c) An ageing analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Within 30 days	<b>6,123</b>	7,039
31 – 60 days	<b>1,703</b>	2,603
61 – 90 days	<b>321</b>	4,935
Over 90 days	<b>19,756</b>	16,865
	<b>27,903</b>	31,442

- (d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Not past due	<b>4,342</b>	7,325
Less than 31 days past due	<b>1,781</b>	1,357
31 – 60 days past due	<b>1,703</b>	4,711
61 – 90 days past due	<b>321</b>	1,361
Over 90 days but less than 1 year past due	<b>17,184</b>	12,016
More than 1 year past due	<b>2,572</b>	4,672
	<b>23,561</b>	24,117
	<b>27,903</b>	31,442

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 11. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	<b>31 December 2018 HK\$'000 (Audited)</b>
Within 30 days	<b>814</b>	251
31 – 60 days	<b>606</b>	1,183
61 – 90 days	<b>24</b>	3,513
Over 90 days	<b>42,208</b>	17,136
	<b>43,652</b>	22,083

## 12. CONVERTIBLE BONDS

As detailed in the Company's announcement dated 17 February 2015, the Company entered into the conditional subscription agreement (the "CB Subscription Agreement") with an independent third party, Golden Peak Minerals Limited (the "CB Subscriber" or the "Bondholder"), on 17 February 2015 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" or the "Bonds"). Interest is payable at the anniversary of the issue date each year. As further detailed in the Company's announcement dated 8 April 2015, the Company's proposed resolution for the issue of Convertible Bonds was duly passed by the shareholders in the extraordinary general meeting held on 8 April 2015 and the Convertible Bonds was executed and issued by a resolution of the board of directors of the Company on 8 May 2015.

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)”) will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full.

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).

Upon receiving a conversion notice from the Bondholder, the Company shall at its discretion be entitled to redeem the whole amount of outstanding Convertible Bonds or such amount of the Bonds to be converted as set out in that conversion notice (at principal plus interest to be settled in cash, rather than at fair value of the shares that would be converted), rather than to issue the relevant number of Conversion Shares by giving written notice to the Bondholder within 3 business days from the date of the giving of the relevant conversion notice.

At any time before the maturity date, the Company, by serving at least 14 days’ prior written notice, can redeem the Convertible Bonds (in whole or in part) at 100% of the outstanding principal amount of the Convertible Bonds together with interest accrued to be settled in cash but unpaid up to the date of redemption. Issuer’s redemption option starts on 8 May 2015 and ends on 24 April 2020 (taking into account at least 14 days’ prior written notice before the maturity date on 8 May 2020).

At the absolute discretion of the Company, any outstanding Convertible Bonds shall be either (i) redeemed at 100% of its principal amount; or (ii) converted into Conversion Shares at the then conversion price; or (iii) any combination of redemption and conversion, on the maturity date.



The Convertible Bonds were issued on 8 May 2015. The net proceeds of the subscription of approximately HK\$59,799,000 in which issue cost of HK\$201,000 was set off from the face value of the Convertible Bonds of HK\$60,000,000.

Given there is a debt (i.e. unavoidable obligation to pay the interest coupon) and equity (i.e. principal of the loan, settlement mechanism of which is at the issuer's option) element to this hybrid instrument, it is a compound instrument. The liability component of the Convertible Bonds are measured first, at the fair value of a similar liability that does not have an associated equity conversion feature, but including derivatives (i.e. the issuer's early redemption option). An independent professional valuer, Greater China Appraisal Limited, determined the fair value of the derivatives as at grant date of HK\$31,297,000 and as at 31 December 2018 and 2017 of HK\$1,016,000 and HK\$5,091,000 respectively. The equity component is determined as the residual amount, essentially the issue proceeds of the Convertible Bonds less the liability component including derivatives as at grant date.

The respective values of the financial liabilities at fair value through profit or loss and equity component of the Convertible Bonds are as follows:

	<b>Financial liabilities at fair value through profit or loss HK\$'000</b>	<b>Convertible bonds equity reserve HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2018 (Audited)	(8,011)	(80,179)	(88,190)
Change in fair value	<u>(4,896)</u>	<u>—</u>	<u>(4,896)</u>
At 31 December 2018 (Audited)	(12,907)	(80,179)	(93,086)
Change in fair value	<u>(908)</u>	<u>—</u>	<u>(908)</u>
At 30 June 2019 (Unaudited)	<u><u>(13,815)</u></u>	<u><u>(80,179)</u></u>	<u><u>(93,994)</u></u>

## 13. BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Secured bank loan I due for repayment on demand (i)	27,425	31,876
Secured bank loan II due for repayment within one year (ii)	9,104	9,676
Unsecured bank loans III due for repayment within one year (iii)	5,690	—
Other loan (iv)	—	11,384
Total	<u>42,219</u>	<u>52,936</u>

- (i) Bank loan I is repayable by 60 monthly instalments, commencing in July 2017 and contains repayable on demand clause. Bank loan I is secured by legal charge over two properties which are owned by Ms. Ma Zheng and Mr. Lin Jian Dong, a related party of Ms. Ma Zheng and personal guarantee by Ms. Ma Zheng. The average interest rates of this borrowing is 6.11% per annum for the year ended 31 December 2018 (2017: 5.95% per annum).
- (ii) The revolving loan is secured by the legal charge over the property which is owned by Ms. Chen Xiao Mi, the financial controller of a subsidiary of the Company and personal guarantees by Ms. Ma Zheng and Ms. Chen Xiao Mi. The loan bears interest at base rate of People's Bank of China plus 15% of the base rate per annum and is repayable within 1 year. This loan repaid on 26 November 2018 and was extended. The Group can continue to utilise this amount on the future maturity dates.

- (iii) The revolving loans was unsecured, bore interest at 5.80% to 7.83% per annum and repayable within one year.
- (iv) Other loan borrowed from an independent third party is secured by certain investment properties of the Group, the corporate guarantee of a subsidiary of the Company and personal guarantees of Ms. Ma Zheng and two independent third parties. The loan is interest bearing at 1% per month and repayable by 19 March 2019. On 12 March 2019, the borrower has agreed to extend the maturity date to 19 May 2020 and the loan was repaid in the second quarter of 2019.
- (v) The Group's borrowings are denominated in RMB.

#### 14. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0625 each		
at 31 December 2018, 1 January 2019		
and 30 June 2019	<u>1,920,000</u>	<u>120,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.0625 each		
at 31 December 2018, 1 January 2019		
and 30 June 2019	<u><u>1,023,987</u></u>	<u><u>63,999</u></u>

**15. OPERATING LEASES****As lessor**

At the end of each reporting period, the Group had total future minimum lease receivables in respect of leased properties under non-cancellable lease as follows:

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>9,087</b>	7,388
After one year but within ten years	<b>85,925</b>	56,429
	<b>95,012</b>	63,817

At 30 June 2019, the Group leases its properties under operating lease arrangements which run for an initial period of five to ten years.

**16. CAPITAL COMMITMENTS**

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Contracted for but not provided:</b>		
– acquisition of property, plant and equipment	<b>6,407</b>	8,423

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

Total revenue of the Group for the six months ended 30 June 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 there was no contribution from the discontinued operation in the reporting period. 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 People’s Republic of China (the “PRC”) government has implemented the policy to use clean energy in 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 Group has commenced its investment in natural gas combined heat and power cogeneration plant. The Group believes that with the current natural gas business, 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. 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. The transaction was completed on 12 February 2019, Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) is no longer be an associated company of the Company.

**Financial review**

Total revenue was approximately HK\$52,236,000 for the six months ended 30 June 2019, which represented a decrease of approximately 45.5% when compared with approximately HK\$95,787,000 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 six months ended 30 June 2019, unaudited loss before income tax was approximately HK\$5,613,000 (six months ended 30 June 2018: loss of approximately HK\$21,902,000). The loss attributable to owners of the Company was approximately HK\$6,176,000 (six months ended 30 June 2018: loss of approximately HK\$21,031,000). 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 30 June 2019, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

**Funding activities**

Save as disclosed above, the Company did not carry out any fund raising activities during the period under review.

**Employee information**

As at 30 June 2019, the Group has 9 full-time employees working in Hong Kong and 136 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2019 amounted to approximately HK\$11,203,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

**Capital structure**

The ordinary shares of the Company were listed on the GEM of the Stock Exchange on 13 December 2001. There has been no change in the capital structure of the Company during the period under review.

**Significant investments**

Save as disclosed above, for the period under review, the Group had no other significant investments.

**Material acquisition and disposal of subsidiaries and affiliated companies/  
future plans for material investments**

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2019.

**Segment information**

Details have been set out in note 9 under “Notes to the unaudited condensed consolidated financial statements” and further elaborated under “Business review and future outlook” of this section.



**Charge on group assets and contingent liabilities**

Save as disclosed above, during the period under review, the Group did not have any significant contingent liabilities, no other assets of the Group were pledged.

**Gearing ratio**

As at 30 June 2019, current assets of the Group amounted to approximately HK\$118,737,000 which included cash of approximately HK\$2,075,000 and approximately RMB8,541,000, while current liabilities stood at approximately HK\$190,806,000. The Group had borrowings of approximately HK\$48,684,000. Equity attributable to owners of the Company amounted to approximately HK\$396,470,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 12.3% (borrowings to equity attributable to owners of the Company) as of 30 June 2019.

**Exposure to fluctuations in exchange rates**

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in Hong Kong and the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated stability of RMB in the long term, the Group's foreign currency exposure was minimal for the period under review, except for certain material purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

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

As at 30 June 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 30 June 2019.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2019:

Name of Director	<u>Number of ordinary shares held</u>		Approximate percentage of interests
	Type 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 30 June 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 30 June 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 30 June 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 30 June 2019 if all the share options were granted and exercised.

As at 30 June 2019, the remaining life of the Share Option Scheme was approximately 2 years and 11 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 30 June 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>–</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>–</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>–</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 30 June 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 30 June 2019.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2019:

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of interests</b>
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 ( <i>Note 1</i> )	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 ( <i>Note 2</i> )	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 (Note 3)	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 30 June 2019:

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Golden Peak Minerals Limited	Beneficial	Convertible Bonds in the principal amount of HK\$60,000,000 (Note)	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 30 June 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 and six months ended 30 June 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 six months ended 30 June 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the six months ended 30 June 2019.

**COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2019 save for the followings.

**Code Provision A.2.1**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the period under review, the Group still did not have an officer with the title of “Chief Executive” (the “CE”). The Code envisages that the management of the Board should rest on the Chairman, whereas the day-to-day management of the Company’s business should rest on the CE. Ms. Ma Zheng, the Chairman, is also the director of the Company’s subsidiaries in the PRC. This constitutes a deviation of Code Provision A.2.1. The Board still holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have the Audit Committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

**Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

During the period under review, the Company has a non-executive Director, Mr. Ji Jianghua and three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Ji Jianghua, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Company’s Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

**CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS  
BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2019.

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

Hong Kong, 12 August 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.*