



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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*This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

Total revenue was approximately HK\$50,617,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$52,236,000), representing a decrease of approximately 3.1% from the corresponding period of last year.

Profit attributable to owners of the Company amounted to approximately HK\$38,402,000 (six months ended 30 June 2019: loss of approximately HK\$6,176,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 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**

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
		HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	16,462	29,153	50,617	52,236
Other income and gains and losses	3	(241)	(305)	(184)	(811)
Changes in inventories of finished goods		(7,803)	(19,372)	(29,182)	(32,539)
Staff costs, including directors' remuneration		(4,047)	(4,785)	(8,335)	(11,203)
Depreciation		(3,171)	(5,376)	(8,393)	(9,557)
Amortisation of land use rights		–	(47)	–	(143)
Amortisation of other intangible assets		(94)	(94)	(189)	(189)
Gain on disposal of an associate		–	–	–	8,394
Gain on disposal of a subsidiary		–	–	58,770	–
Recovery of impairment loss on trade receivables previously recognised		17	–	317	–
Other operating expenses		(14,224)	(3,493)	(19,122)	(9,642)
Share of loss of an associate		–	–	–	(94)
Finance costs	4	(2,209)	(1,146)	(4,686)	(2,065)
Profit/(loss) before income tax	5	(15,310)	(5,465)	39,613	(5,613)
Income tax	6	–	–	–	–
Profit/(loss) for the period		(15,310)	(5,465)	39,613	(5,613)

	<i>Note</i>	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:					
Owners of the Company		(14,964)	(4,961)	38,402	(6,176)
Non-controlling interests		(346)	(504)	1,211	563
Profit/(loss) for the period		<u>(15,310)</u>	<u>(5,465)</u>	<u>39,613</u>	<u>(5,613)</u>
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>2,775</u>	<u>(12,250)</u>	<u>(11,716)</u>	<u>(743)</u>
Other comprehensive (loss)/income for the period		<u>2,775</u>	<u>(12,250)</u>	<u>(11,716)</u>	<u>(743)</u>
Total comprehensive income for the period		<u>(12,535)</u>	<u>(17,715)</u>	<u>27,897</u>	<u>(6,356)</u>
Total comprehensive income attributable to:					
Owners of the Company		(13,042)	(15,993)	30,560	(6,266)
Non-controlling interests		507	(1,722)	(2,663)	(90)
		<u>(12,535)</u>	<u>(17,715)</u>	<u>27,897</u>	<u>(6,356)</u>
Earnings/(losses) per share	8				
– Basic		<u>(0.015)</u>	<u>(0.005)</u>	<u>0.038</u>	<u>(0.006)</u>
– Diluted		<u>(0.015)</u>	<u>(0.005)</u>	<u>0.038</u>	<u>(0.006)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		170,423	152,815
Investment properties		206,546	210,614
Goodwill		17,296	17,631
Other intangible assets		2,215	2,427
Equity instruments measured at fair value through other comprehensive income		13	13
Total non-current assets		396,493	383,500
Current assets			
Inventories		4,064	4,402
Trade receivables	10	8,432	10,826
Other receivables, deposits and prepayments		48,116	52,508
Investments held for trading		57	94
Cash and cash equivalents		79,374	8,178
		140,043	76,008
Assets classified as held for sale		–	181,219
Total current assets		140,043	257,227
Total assets		536,536	640,727
Current liabilities			
Trade payables	11	12,570	11,627
Other payables and accruals		70,852	82,592
Financial liabilities at fair value through profit or loss	12	–	14,746
Loans from a major shareholder		21,031	35,893
Lease liabilities		4,470	7,526
Borrowings	13	25,231	34,509
Tax payable		495	393
		134,649	187,286
Liabilities classified as held for sale		–	22,015

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Total current liabilities		134,649	209,301
Net current assets		5,394	47,926
Non-current liabilities			
Deferred tax liabilities		26,671	27,196
Lease liabilities		9,896	10,060
Borrowings	13	28,522	24,610
Total non-current liabilities		65,089	61,866
Total liabilities		199,738	271,167
NET ASSETS		336,798	369,560
Equity			
Share capital	14	63,999	63,999
Reserves		256,703	286,802
Equity attributable to owners of the Company		320,702	350,801
Non-controlling interests		16,096	18,759
TOTAL EQUITY		336,798	369,560

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	Financial assets at fair value through other comprehensive reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 31 December 2018 and 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	-	-	-	-	-	-	-	-	(6,176)	(6,176)	563	(5,613)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(90)	-	-	-	-	(90)	(653)	(743)
Total comprehensive income	-	-	-	-	(90)	-	-	-	(6,176)	(6,266)	(90)	(6,356)
Balance at 30 June 2019 (unaudited)	<u>63,999</u>	<u>727,375</u>	<u>80,179</u>	<u>5,109</u>	<u>29,118</u>	<u>32,418</u>	<u>34,512</u>	<u>(13)</u>	<u>(576,227)</u>	<u>396,470</u>	<u>20,201</u>	<u>416,671</u>

	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 reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 31 December 2019 and at 1 January 2020 (audited)	63,999	727,375	80,179	5,109	20,600	25,053	34,512	(20)	(606,006)	350,801	18,759	369,560
Profit for the period	-	-	-	-	-	-	-	-	38,402	38,402	1,211	39,613
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(7,842)	-	-	-	-	(7,842)	(3,874)	(11,716)
Total comprehensive income	-	-	-	-	(7,842)	-	-	-	38,402	30,560	(2,663)	27,897
Redemption of Convertible Bonds	-	-	(80,179)	-	-	-	-	-	19,520	(60,659)	-	(60,659)
Balance at 30 June 2020 (unaudited)	<u>63,999</u>	<u>727,375</u>	<u>-</u>	<u>5,109</u>	<u>12,758</u>	<u>25,053</u>	<u>34,512</u>	<u>(20)</u>	<u>(548,084)</u>	<u>320,702</u>	<u>16,096</u>	<u>336,798</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2020 <i>HK\$'000</i>	Six months ended 30 June 2019 <i>HK\$'000</i>
Net cash generated from/(used in) operating activities	117,646	(26,365)
Net cash generated from investing activities	52,769	12,415
Net cash used in financing activities	(99,054)	(12,788)
Net increase/(decrease) in cash and cash equivalents	71,361	(26,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,178	38,588
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(165)	(56)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	79,374	11,794
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	79,374	11,794

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, and property investment primarily in the People's Republic of China ("PRC"), and trading of electronic components in Hong Kong.

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 2019.

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 2020. 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		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
Transmission and distribution of natural gas	13,049	18,732	44,157	34,175
Sales of electronic components	–	7,155	–	13,144
Revenue from other sources				
Gross rental income	3,413	3,266	6,460	4,917
	<u>16,462</u>	<u>29,153</u>	<u>50,617</u>	<u>52,236</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sundry income	(296)	872	(24)	1,086
Bank interest income	141	10	166	17
Loss on disposal of property, plant and equipment	–	(912)	–	(912)
Fair value loss on investments held for trading	(2)	(74)	(37)	(94)
Change in fair value of financial liabilities at fair value through profit or loss	(84)	(201)	(289)	(908)
	<u>(241)</u>	<u>(305)</u>	<u>(184)</u>	<u>(811)</u>

4. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	961	738	1,893	1,539
Interest on loans from a major shareholder	1,231	–	2,741	–
Interest on lease liabilities	17	–	52	–
Interest on finance leases	–	408	–	526
	<u>2,209</u>	<u>1,146</u>	<u>4,686</u>	<u>2,065</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term lease expenses	13	–	312	–
Depreciation of property, plant and equipment				
– Owned	1,643	4,522	5,315	7,795
– Right-of-use assets (<i>Note</i>)	1,528	–	3,078	–
– Held under finance leases	–	854	–	1,762
	<u>3,171</u>	<u>5,376</u>	<u>8,393</u>	<u>9,557</u>

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The amortised carrying amount of land use rights and depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.

6. INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total 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	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) before income tax	(15,310)	(5,465)	39,613	(5,613)

7. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019 : Nil).

8. EARNING/(LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company	<u>(14,964)</u>	<u>(4,961)</u>	<u>38,402</u>	<u>(6,176)</u>

(a) Basic

The denominator used for earning/(loss) per share is the weighted average number of ordinary shares of 1,023,987,000 (six months ended 30 June 2019: 1,023,987,000) in issue during the period.

(b) Diluted

Diluted earning/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the reporting period, the Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the profit or loss attributable to owners of the Company is adjusted to eliminate the relevant interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. As at 30 June 2020, the convertible bonds were all redeemed and ceased to exist.

For the six months ended 30 June 2020, the computation of the diluted earning per share does not assume the exercise of the outstanding share options, as the exercise price is higher than average market price.

For the six months ended 30 June 2019, the computation of diluted losses per share 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 losses per share. Accordingly, the basic and diluted loss per share for the six months ended 30 June 2019 are the same.

9. REPORTABLE SEGMENTS

For the six months ended 30 June 2020

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Trading of electronic components <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	44,157	-	6,460	50,617
Reportable segment profit/(loss)	63,835	(256)	(11,963)	51,616
Reportable segment assets	194,951	3,873	298,151	496,975
Reportable segment liabilities	(24,504)	(101)	(59,407)	(84,012)
Other segment information:				
Bank interest income	4	-	-	4
Unallocated				162
Total bank interest income				166
Gain on disposal of a subsidiary	58,770	-	-	58,770
Depreciation	(5,515)	-	-	(5,515)
Unallocated				(2,820)
Total depreciation				(8,335)
Amortisation of other intangible assets	(189)	-	-	(189)
Additions to non-current assets	15,900	-	-	15,900

For the six months ended 30 June 2019

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

10. TRADE RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	14,913	20,104
Less: provision for impairment	(6,481)	(6,926)
	8,432	13,178
Classified as held for sale	–	(2,352)
	8,432	10,826

- (a) For the trading of electronic components, no credit term is granted to the customers as payment is due when the sales invoices were issued to customers. For the business of transmission and distribution of natural gas, credit terms are within 30 days to 60 days. For the business of property investment, the Group granted a credit period of 30 days to the tenants. 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:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
At beginning of the period/year	6,926	9,285
Amount written off during the year	–	(1,972)
Impairment loss recognised	–	4,304
Recovery of impairment loss previously recognised	(317)	(4,519)
Exchange realignment	(128)	(172)
At end of the period/year	6,481	6,926

- (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:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	4,470	9,960
31 – 60 days	31	200
61 – 90 days	358	–
Over 90 days	3,573	3,018
	<u>8,432</u>	<u>13,178</u>

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Not past due	<u>2,787</u>	<u>5,367</u>
Less than 31 days past due	1,683	4,793
31 – 60 days past due	31	–
61 – 90 days past due	358	–
Over 90 days but less than 1 year past due	–	974
More than 1 year past due	3,573	2,044
	<u>5,645</u>	<u>7,811</u>
	<u>8,432</u>	<u>13,178</u>

11. TRADE PAYABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	2,819	6,452
31 – 60 days	40	–
61 – 90 days	240	–
Over 90 days	9,471	5,175
	<hr/> 12,570 <hr/>	<hr/> 11,627 <hr/>

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 2019 and 2018 of HK\$387,000 and HK\$1,016,000 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.

As at 30 June 2020, the Convertible Bonds were all redeemed and ceased to exist.

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

	Financial liabilities at fair value through profit or loss HK\$'000	Convertible Bonds equity reserve HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	(12,907)	(80,179)	(93,086)
Change in fair value	<u>(1,839)</u>	<u>–</u>	<u>(1,839)</u>
At 31 December 2019 and 1 January 2020 (Audited)	(14,746)	(80,179)	(94,925)
Redemption of Convertible Bonds	<u>14,746</u>	<u>80,179</u>	<u>94,925</u>
At 30 June 2020 (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>

13. BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current		
– Secured bank term loans	20,843	24,441
– Unsecured bank loan	4,388	2,237
– Secured bank revolving loan	–	3,356
– Secured other loan	–	4,475
	<u>25,231</u>	<u>34,509</u>
Non-current		
– Secured bank term loans	<u>28,522</u>	<u>24,610</u>
Total	<u><u>53,753</u></u>	<u><u>59,119</u></u>

Notes:

Certain of the Group's bank and other loans were secured by the following:

- (i) Certain investment properties;
- (ii) Certain land use rights;
- (iii) Certain trade receivables;
- (iv) Corporate guarantees by certain subsidiaries of the Company;
- (v) Personal guarantees by a major shareholder of the Company, Ms. Ma Zheng, and legal charge over her property; and legal charge over the property owned by Mr. Lin Jian Dong, a related party of Ms. Ma Zheng;
- (vi) Personal guarantees by two directors of the subsidiaries, Mr. Wang Jin Lin and Mr. Wei Bu Ti and a key management of a subsidiary, Ms. Ma Yi, and two independent third parties.

As at 31 December 2019, the effective interest rate of the interest-bearing borrowing was 5.549% per annum (2018: 5.852% per annum).

The carrying amounts of all borrowings are carried at amortised cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the 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 2019, 1 January 2020 and 30 June 2020	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK\$0.0625 each at 31 December 2019, 1 January 2020 and 30 June 2020	1,023,987	63,999

15. OPERATING LEASES

As lessor

At the end of each reporting period, the undiscounted lease payments receivable by the Group in future periods in respect of leased properties under non-cancellable leases as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	13,321	13,730
Later than one year and not later than two years	13,327	13,299
Later than two years and not later than three years	13,987	13,743
Later than three years and not later than four years	14,045	14,638
Later than four years and not later than five years	14,493	14,769
Over five years	29,348	36,640
	<u>98,521</u>	<u>106,819</u>

16. CAPITAL COMMITMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted for but not provided: – acquisition of property, plant and equipment	<u>19,731</u>	<u>43,168</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the six months ended 30 June 2020 decreased slightly when compared to the corresponding period in 2019. Such decrease was mainly due to the decrease in revenue of the trading business. During the period under review, the demand of the electronic components reduced significantly when compared to the corresponding period of last year. The reduction mainly due to the uncertainty arised from the US-China trade war and the outbreak of Coronavirus disease (“COVID-19”). However, impact of the decrease in revenue of the trading business on the performance and financial result of the Group was not so material. The board (the “Board”) of directors (the “Director(s)”) believes that revenue of the Group will be improved with the stable development of the clean energy business. As a result, the results of the Group will be improved accordingly.

The natural gas business is still the core business of the Group. Operating scale of the natural gas business segment continued to be stable in 2020. The government of the People’s Republic of China (the “PRC”) has implemented the policies to encourage the use of clean energy in the PRC and the Board considered the prospect of natural gas business is bright. Those policies included the process to change the use of petrol and oil to natural gas for vehicles and industrial users, the set up of the natural gas network department, etc. The Group operated the natural gas business in various areas and provinces in the PRC in 2020. Our customers are mostly industrial customers.

With the Group’s 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 distribution and transmission 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 improved in the future.

After more than two years of development, the property investment business in Yichang was in full operation and provide stable cash inflow during the period under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the government, we believe the property investment business will continue to be one of the major segment of the Group.

The outbreak of COVID-19 is a challenge to the global economy and to most of the industries. It is anticipated that the global economy will be significantly affected. Luckily, the impact of the COVID-19 to the Group is expected not to be so direct and significant as our business of natural gas distribution and property investment relied more on customers' internal demand and natural gas is necessity. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group's operations and operating results.

In view of the unstable global economy, 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.

Disposal of Wuhu China Primary Natural Gas Pipeline Company Limited

On 27 December 2019, China Primary Sky Valley (Yichang) Composites Co., Ltd.# (中基天谷(宜昌)複合材料有限公司) (the "Vendor") entered into the sale and purchase agreement with Fanchang County Nantian Electricity Company Limited# (繁昌縣南添電力有限公司) (the "Purchaser") pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 83% registered capital of Wuhu China Primary Natural Gas Pipeline Company Limited# (蕪湖中基天然氣管道有限公司) (the "Target Company") (the "Disposal") for a total cash consideration of RMB82,200,000 (equivalent to approximately HK\$92,400,000).

The Vendor is a limited liability company established in the PRC and the indirect wholly owned subsidiary of the Company.

The Purchaser is a company established in the PRC and is principally engaged in electricity, heat and cold related infrastructure investment and operations, construction and management of natural gas supply pipelines. The ultimate beneficial owners of the Purchaser are Ms. Li Lei# (李蕾) (90%) and Mr. Shi Linghang# (史領航) ("Mr. Shi") (10%) respectively.

Before Completion, the Target Company has a registered and paid up capital of RMB50,000,000 which is owned as to 83% by the Vendor and the remaining 17% by Mr. Shi.

The Disposal was completed on 6 March 2020. Accordingly, the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company no longer be consolidated into the financial statements of the Group.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal (including the relevant legal costs and printing expenses of total approximately HK\$800,000), the net proceeds from the Disposal would be approximately HK\$91,600,000.

Reference are made to the announcements of the Company dated 30 December 2019 and 7 January 2020 and the circular of the Company dated 13 February 2020 which provide further details relating to the Disposal.

Financial review

Total revenue was approximately HK\$50,617,000 for the six months ended 30 June 2020, which represented a decrease of approximately 3.1% when compared with approximately HK\$52,236,000 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 natural gas business and increase in contribution from the rental and trading business.

For the six months ended 30 June 2020, unaudited profit before income tax was approximately HK\$39,613,000 (six months ended 30 June 2019: loss of approximately HK\$5,613,000). The profit attributable to owners of the Company was approximately HK\$38,402,000 (six months ended 30 June 2019: loss of approximately HK\$6,176,000). Profit incurred in the reporting period mainly due to the approximately HK\$58,770,000 gain on disposal of a subsidiary. 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 2020 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment and the property investment segment. Currently, the energy segment mainly consists of the natural gas business. The Group has developed a natural gas sales network of certain scale. 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 will continue to be let out to generate rental income.

Liquidity and financial resources

As at 30 June 2020, 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 2020, the Group has 9 full-time employees working in Hong Kong and 114 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 2020 amounted to approximately HK\$8,335,000. 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 2020.

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

As at 30 June 2020, certain of the Group’s investment properties, land use rights and trade receivables were pledged as security for the Group’s borrowings, and the Group did not have any significant liabilities.

Gearing ratio

As at 30 June 2020, current assets of the Group amounted to approximately HK\$140,043,000 which included cash of approximately HK\$915,000 and approximately RMB71,520,000, while current liabilities stood at approximately HK\$134,649,000. The Group had external borrowings of approximately HK\$53,753,000. Equity attributable to owners of the Company amounted to approximately HK\$320,702,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 17% (borrowings to equity attributable to owners of the Company) as of 30 June 2020.

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 2020, 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 2020.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2020:

Name of Director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
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 2020:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share options (<i>Note</i>)	820,000	0.08%
Mr. Wong Pui Yiu	Beneficial	Share options (<i>Note</i>)	3,500,000	0.34%
Mr. Wan Tze Fan Terence	Beneficial	Share options (<i>Note</i>)	700,000	0.07%
Mr. Chung Chin Keung	Beneficial	Share options (<i>Note</i>)	700,000	0.07%
Mr. Wang Xiao Bing	Beneficial	Share options (<i>Note</i>)	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 2020, 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 9 May 2019, 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 102,398,743, being 10% of the number of issued Shares as at 9 May 2019.

As at 30 June 2020, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 161,668,743. As a result, 161,668,743 shares of the Company could be issued which represented about 15.79% of the issued share capital of the Company as at 30 June 2020 if all the share options were granted and exercised.

As at 30 June 2020, the remaining life of the Share Option Scheme was approximately 1 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 2020
				Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors									
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
Sub-total				6,420,000	-	-	-	-	6,420,000
Others									
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	52,850,000	-	-	-	-	52,850,000
Sub-total				52,850,000	-	-	-	-	52,850,000
Total				59,270,000	-	-	-	-	59,270,000

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 2020, 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 2020.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2020:

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 (<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%
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:

- 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.
- 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 2020:

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.

The Convertible Bonds were issued on 8 May 2015. On 8 May 2020, the Convertible Bonds has been matured and cancelled.

Save as disclosed above, as at 30 June 2020, 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 2020 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 2020. 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 2020.

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 2020 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 2020.

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

Hong Kong, 12 August 2020

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

As at the date of this announcement, 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.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the Company's designated website at <http://china-p-energy.etnet.com.hk>.