



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)



THIRD QUARTERLY REPORT 2020



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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\$62,791,000 for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$64,604,000), representing a decrease of approximately 2.8% from the corresponding period of last year.

Profit attributable to owners of the Company amounted to approximately HK\$32,099,000 (nine months ended 30 September 2019: loss of approximately HK\$15,035,000).

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 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 nine months ended 30 September 2020 together with the comparative figures as follows. The consolidated third quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

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

| | Notes | Three months ended | | Nine months ended | |
|--|-------|--------------------|----------|-------------------|----------|
| | | 30 September | | 30 September | |
| | | 2020 | 2019 | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 2 | 12,174 | 12,368 | 62,791 | 64,604 |
| Other income and gains and losses | 3 | 890 | 62 | 706 | (749) |
| Changes in inventories of finished goods | | (5,344) | (6,990) | (34,526) | (39,529) |
| Staff costs, including directors' remuneration | | (4,565) | (4,619) | (12,900) | (15,822) |
| Depreciation | | (3,641) | (5,356) | (12,034) | (14,913) |
| Amortisation of land use rights | | – | (66) | – | (209) |
| Amortisation of other intangible assets | | (95) | (95) | (284) | (284) |
| 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 | | 21 | – | 338 | – |
| Other operating expenses | 4 | (5,695) | (4,463) | (24,817) | (14,105) |
| Share of loss of an associate | | – | – | – | (94) |
| Finance costs | 5 | (1,461) | (992) | (6,147) | (3,057) |
| Profit/(loss) before income tax | 6 | (7,716) | (10,151) | 31,897 | (15,764) |
| Income tax | 7 | – | – | – | – |
| Profit/(loss) for the period | | (7,716) | (10,151) | 31,897 | (15,764) |

CHINA PRIMARY ENERGY HOLDINGS LIMITED

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|------------------|-----------------------------------|------------------|
| | | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Attributable to: | | | | | |
| Owners of the Company | | (6,303) | (8,859) | 32,099 | (15,035) |
| Non-controlling interests | | (1,413) | (1,292) | (202) | (729) |
| Profit/(loss) for the period | | <u>(7,716)</u> | <u>(10,151)</u> | <u>31,897</u> | <u>(15,764)</u> |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | <u>15,652</u> | <u>(13,737)</u> | <u>3,936</u> | <u>(14,480)</u> |
| Other comprehensive income/(loss) for the period | | <u>15,652</u> | <u>(13,737)</u> | <u>3,936</u> | <u>(14,480)</u> |
| Total comprehensive income for the period | | <u>7,936</u> | <u>(23,888)</u> | <u>35,833</u> | <u>(30,244)</u> |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 8,623 | (24,029) | 39,183 | (30,295) |
| Non-controlling interests | | (687) | 141 | (3,350) | 51 |
| | | <u>7,936</u> | <u>(23,888)</u> | <u>35,833</u> | <u>(30,244)</u> |
| Earnings/(losses) per share | 9 | | | | |
| – Basic | | <u>(0.006)</u> | <u>(0.009)</u> | <u>0.031</u> | <u>(0.014)</u> |
| – Diluted | | <u>(0.006)</u> | <u>(0.009)</u> | <u>0.031</u> | <u>(0.014)</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, 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 30 September 2020 | | Nine months ended 30 September 2020 | |
|--|--|-------------|---|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | | | |
| Transmission and distribution of natural gas | 8,668 | 8,382 | 52,825 | 42,557 |
| Sales of electronic components | – | 1,098 | – | 14,242 |
| Revenue from other sources | | | | |
| Gross rental income | 3,506 | 2,888 | 9,966 | 7,805 |
| | 12,174 | 12,368 | 62,791 | 64,604 |

3. OTHER INCOME AND GAINS AND LOSSES

| | Three months ended | | Nine months ended | |
|--|--------------------|-------------|-------------------|--------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Sundry income | 857 | 293 | 833 | 1,379 |
| Bank interest income | 46 | 40 | 212 | 57 |
| Loss on disposal of property, plant and equipment | - | - | - | (912) |
| Exchange gain on disposal of property, plant and equipment | - | 27 | - | 27 |
| Fair value loss on investments held for trading | (13) | (91) | (50) | (185) |
| Change in fair value of financial liabilities at fair value through profit or loss | - | (207) | (289) | (1,115) |
| | <u>890</u> | <u>62</u> | <u>706</u> | <u>(749)</u> |

4. OTHER OPERATING EXPENSES

| | Three months ended | | Nine months ended | |
|---|--------------------|--------------|-------------------|---------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Building management fees and insurance | 1,520 | 139 | 3,842 | 590 |
| Entertainment & trip expenses | 923 | 947 | 2,881 | 3,272 |
| Legal and professional fees | 481 | 73 | 7,291 | 116 |
| Other tax and selling expenses | 1,466 | 698 | 4,947 | 2,902 |
| Others | 1,305 | 2,606 | 5,856 | 7,225 |
| | <u>5,695</u> | <u>4,463</u> | <u>24,817</u> | <u>14,105</u> |

5. FINANCE COSTS

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|--------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Interest on bank loans and other borrowings | 827 | 753 | 2,720 | 2,292 |
| Interest on loans from a major shareholder | 613 | – | 3,354 | – |
| Interest on lease liabilities | 21 | – | 73 | – |
| Interest on finance leases | – | 239 | – | 765 |
| | <u>1,461</u> | <u>992</u> | <u>6,147</u> | <u>3,057</u> |

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

| | Three months ended | | Nine months ended | |
|---|--------------------|--------------|-------------------|---------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Short-term lease expenses | 105 | – | 417 | – |
| Depreciation of property, plant and equipment | | | | |
| – Owned | 1,975 | 4,563 | 7,290 | 12,358 |
| – Right-of-use assets (<i>Note</i>) | 1,666 | – | 4,744 | – |
| – Held under finance leases | – | 793 | – | 2,555 |
| | <u>3,641</u> | <u>5,356</u> | <u>12,034</u> | <u>14,913</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.

7. INCOME TAX

| Three months ended | | Nine months ended | |
|---------------------------|--------------------|--------------------------|--------------------|
| 30 September | | 30 September | |
| 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

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| - | - | - | - |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Company's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

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

| | Three months ended | | Nine months ended | |
|---------------------------------|--------------------|-----------------|-------------------|-----------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit/(loss) before income tax | <u>(7,716)</u> | <u>(10,151)</u> | <u>31,897</u> | <u>(15,764)</u> |

8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019 : Nil).

9. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following data.

| | Three months ended | | Nine months ended | |
|--|--------------------|----------------|-------------------|-----------------|
| | 30 September | | 30 September | |
| | 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>(6,303)</u> | <u>(8,859)</u> | <u>32,099</u> | <u>(15,035)</u> |

(a) Basic

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

(b) Diluted

Diluted earnings/(losses) 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 nine months ended 30 September 2020, the computation of the diluted earnings per share does not assume the exercise of the outstanding share options, as the exercise price is higher than average market price.

For the nine months ended 30 September 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 nine months ended 30 September 2019 are the same.

10. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Equity attributable to owners of the Company | | | | | | | | | | | | |
|---|------------------|-----------------------------|---------------------------------|---------------------------------|------------------------------------|----------------------------|------------------------------------|---|-----------------------|----------------|----------------------------------|-----------------|
| | | | | | | | | Financial assets at fair value | | | | |
| | Share capital | Share premium account | Convertible bonds reserve | Statutory surplus reserve | Exchange translation reserve | Share option reserve | Property revaluation reserve | through other comprehensive reserve | Accumulated losses | Total | Non- controlling interests | Total equity |
| | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> |
| 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 | - | - | - | - | - | - | - | - | (15,035) | (15,035) | (729) | (15,764) |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | (15,260) | - | - | - | - | (15,260) | 780 | (14,480) |
| Total comprehensive income | - | - | - | - | (15,260) | - | - | - | (15,035) | (30,295) | 51 | (30,244) |
| Balance at 30 September | | | | | | | | | | | | |
| 2019 (unaudited) | 63,999 | 727,375 | 80,179 | 5,109 | 13,948 | 32,418 | 34,512 | (13) | (585,086) | 372,441 | 20,342 | 392,783 |

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Equity attributable to owners of the Company

| | 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 | | Accumulated losses | Total | Non-controlling interests | Total equity |
|---|---------------|-----------------------|----------------------------------|---------------------------|------------------------------|----------------------|------------------------------|-------------------------------------|-----------|--------------------|---------|---------------------------|--------------|
| | | | | | | | | through other comprehensive reserve | | | | | |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'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 | - | - | - | - | - | - | - | - | 32,099 | 32,099 | (202) | 31,897 | |
| Other comprehensive income: | | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | 7,084 | - | - | - | - | 7,084 | (3,148) | 3,936 | |
| Total comprehensive income | - | - | - | - | 7,084 | - | - | - | 32,099 | 39,183 | (3,350) | 35,833 | |
| Redemption of Convertible Bonds | - | - | (80,179) | - | - | - | - | - | 19,520 | (60,659) | - | (60,659) | |
| Balance at 30 September 2020 (unaudited) | 63,999 | 727,375 | - | 5,109 | 27,684 | 25,053 | 34,512 | (20) | (554,387) | 329,325 | 15,409 | 344,734 | |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the nine months ended 30 September 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\$62,791,000 for the nine months ended 30 September 2020, which represented a decrease of approximately 2.8% when compared with approximately HK\$64,604,000 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 nine months ended 30 September 2020, unaudited profit before income tax was approximately HK\$31,897,000 (nine months ended 30 September 2019: loss of approximately HK\$15,764,000). The profit attributable to owners of the Company was approximately HK\$32,099,000 (nine months ended 30 September 2019: loss of approximately HK\$24,251,000). 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 September 2020, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

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

As at 30 September 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 September 2020.

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

| Name of Director | Number of ordinary shares held | | 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 September 2020:

| 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 September 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 September 2020, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 159,268,743. As a result, 159,268,743 shares of the Company could be issued which represented about 15.55% of the issued share capital of the Company as at 30 September 2020 if all the share options were granted and exercised.

As at 30 September 2020, the remaining life of the Share Option Scheme was approximately 1 year and 8 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 September 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 | - | - | (2,400,000) | - | 50,450,000 |
| Sub-total | | | | 52,850,000 | - | - | (2,400,000) | - | 50,450,000 |
| Total | | | | 59,270,000 | - | - | (2,400,000) | - | 56,870,000 |

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 September 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 September 2020.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 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 (Note 1) | 123,867,678 | 12.10% |
| Mr. Ji Shengzhi | Corporate | 110,000,000 | 10.74% |
| Ms. Lu Ke | Corporate | 110,000,000 | 10.74% |
| Ultra Vantage Holdings Limited | Beneficial (Note 2) | 110,000,000 | 10.74% |
| 萬科企業股份有限公司 | Corporate | 93,089,767 | 9.09% |
| 成都萬科房地產有限公司 | Corporate | 93,089,767 | 9.09% |

| Name of shareholders | Type of interests | Number of the shares held | Approximate percentage of interests |
|--|---------------------|---------------------------|-------------------------------------|
| Chogori Investment (Hong Kong) Limited | Corporate | 93,089,767 | 9.09% |
| Winsteria (BVI) Company Limited | Corporate | 93,089,767 | 9.09% |
| Winmaxi (BVI) Company Limited | Beneficial (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 September 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 September 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 nine months ended 30 September 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. Chung Chin Keung, Mr. Wan Tze Fan Terence 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. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the nine months ended 30 September 2020. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the nine months ended 30 September 2020.

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

Hong Kong, 11 November 2020

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.