



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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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\$88,223,000 for the year ended 31 December 2020 (2019: approximately HK\$91,646,000), representing a decrease of approximately 3.7%.

Profit attributable to owners of the Company amounted to approximately HK\$10,279,000 (2019: loss of approximately HK\$31,260,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

AUDITED RESULTS

The board of directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	5	88,223	91,646
Other income and gains and losses	6	1,948	1,154
Changes in inventories of finished goods		(51,026)	(55,301)
Write down of inventories		(1,529)	–
Staff costs, including directors’ remuneration	12	(20,630)	(23,511)
Depreciation		(12,111)	(19,232)
Amortisation of other intangible assets		(378)	(378)
(Loss)/gain arising from changes in fair value of investment properties		(3,209)	1,260
Gain on disposal of a subsidiary		55,197	–
Gain on disposal of an associate		–	8,394
Impairment loss on goodwill		(1,860)	(2,941)
(Impairment loss)/reversal of impairment loss on trade receivables, net		(882)	215
Net impairment loss on other receivables and prepayments		(6,367)	–
Write off of other receivables		(907)	(1,593)
Other operating expenses	8	(34,119)	(27,886)
Share of loss of an associate		–	(94)
Finance costs	7	(3,499)	(4,500)
Profit/(loss) before income tax	8	8,851	(32,767)
Income tax credit/(expense)	9	251	(466)
Profit/(loss) for the year		9,102	(33,233)
Attributable to:			
Owners of the Company		10,279	(31,260)
Non-controlling interests		(1,177)	(1,973)
Profit/(loss) for the year		9,102	(33,233)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		226	(7)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		17,449	(9,102)
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of an associate		–	83
Exchange differences reclassified to profit or loss upon disposal of subsidiary		3,835	–
		<hr/>	<hr/>
Other comprehensive income for the year		21,510	(9,026)
		<hr/>	<hr/>
Total comprehensive income for the year		30,612	(42,259)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Owners of the Company		31,587	(39,875)
Non-controlling interests		(975)	(2,384)
		<hr/>	<hr/>
		30,612	(42,259)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(losses) per share for profit attributable to owners of the Company	11		
– Basic		0.010	(0.031)
		<hr/>	<hr/>
– Diluted		0.010	(0.031)
		<hr/>	<hr/>
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		236,866	152,815
Investment properties		220,223	210,614
Goodwill		16,517	17,631
Other intangible assets		3,802	2,427
Prepayment for property, plant and equipment		1,459	–
Equity instruments measured at fair value through other comprehensive income (“FVTOCI”)		239	13
		479,106	383,500
Total non-current assets			
Current assets			
Inventories	13	6,210	4,402
Trade receivables	14	13,018	10,826
Other receivables, deposits and prepayments	15	37,747	52,508
Investments held for trading		208	94
Pledged bank deposit		59,382	–
Cash and cash equivalents		12,544	8,178
		129,109	76,008
Assets classified as held for sale		–	181,219
		129,109	257,227
Total current assets			
		608,215	640,727
Total assets			
Current liabilities			
Trade payables	16	7,457	11,627
Other payables and accruals		61,985	82,592
Financial liabilities at fair value through profit or loss		–	14,746
Loans from a major shareholder		–	35,893
Lease liabilities		4,049	7,526
Borrowings		92,510	34,509
Tax payable		988	393
		166,989	187,286
Liabilities classified as held for sale		–	22,015

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total current liabilities	166,989	209,301
Net current (liabilities)/assets	(37,880)	47,926
Non-current liabilities		
Loans from a major shareholder	25,925	–
Deferred tax liabilities	28,028	27,196
Lease liabilities	5,642	10,060
Borrowings	43,950	24,610
Total non-current liabilities	103,545	61,866
Total liabilities	270,534	271,167
NET ASSETS	337,681	369,560
Equity		
Share capital	63,999	63,999
Reserves	257,075	286,802
Equity attributable to owners of the Company	321,074	350,801
Non-controlling interests	16,607	18,759
TOTAL EQUITY	337,681	369,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Convertible			Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Financial		Non- controlling interests HK\$'000	Total equity HK\$'000	
		Share premium account HK\$'000	bonds equity reserve HK\$'000	Statutory surplus reserve HK\$'000				assets at FVTOCI reserve HK\$'000	Accumulated losses HK\$'000			Total HK\$'000
		HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000			HK\$'000
Balance at 1 January 2019	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 year	-	-	-	-	-	-	-	-	(31,260)	(31,260)	(1,973)	(33,233)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(8,608)	-	-	-	-	(8,608)	(411)	(9,019)
Changes in fair value of equity instruments at fair value through over comprehensive income	-	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Total comprehensive income	-	-	-	-	(8,608)	-	-	(7)	(31,260)	(39,875)	(2,384)	(42,259)
Lapse of share options	-	-	-	-	-	(7,365)	-	-	7,365	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(12,060)	(12,060)	(1,299)	(13,359)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,151	2,151
Balance at 31 December 2019	<u>63,999</u>	<u>727,375</u>	<u>80,179</u>	<u>5,109</u>	<u>20,600</u>	<u>25,053</u>	<u>34,512</u>	<u>(20)</u>	<u>(606,006)</u>	<u>350,801</u>	<u>18,759</u>	<u>369,560</u>

Equity attributable to owners of the Company

	Convertible			Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at		Non-controlling interests	Total equity	
	Share capital	Share premium account	bonds equity reserve					FVTOCI reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 31 December 2019 and at 1 January 2020	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 year	-	-	-	-	-	-	-	-	10,279	10,279	(1,177)	9,102
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	17,247	-	-	-	-	17,247	202	17,449
Reclassification adjustment of foreign operation	-	-	-	-	3,835	-	-	-	-	3,835	-	3,835
Changes in fair value of equity instruments at fair value through over comprehensive income	-	-	-	-	-	-	-	226	-	226	-	226
Total comprehensive income	-	-	-	-	21,082	-	-	226	10,279	31,587	(975)	30,612
Lapse of share options	-	-	-	-	-	(987)	-	-	987	-	-	-
Release upon maturity of convertible bonds	-	-	(80,179)	-	-	-	-	-	20,179	(60,000)	-	(60,000)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,496)	(4,496)
Acquisition of non-controlling interests	-	-	-	-	193	-	-	-	(1,507)	(1,314)	1,314	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,005	2,005
Balance at 31 December 2020	<u>63,999</u>	<u>727,375</u>	<u>-</u>	<u>5,109</u>	<u>41,875</u>	<u>24,066</u>	<u>34,512</u>	<u>206</u>	<u>(576,068)</u>	<u>321,074</u>	<u>16,607</u>	<u>337,681</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on 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 PRC, and trading of electronic components in Hong Kong.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or amended HKFRSs - effective on 1 January 2020

In the current year, the Group has adopted the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The adoption of these amended HKFRSs did not have significant impact on the Group's results and financial position.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Annual Improvements to HKFRSs 2018-2020 ³	

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' of a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can be either incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position as the Group did not receive any reduction in lease payments due on or before 30 June 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when the Group replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Group does not anticipate that the application of this amendments in the future will have significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Group does not anticipate that the application of this standard in the future will have significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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 GEM of the Stock Exchange.

(b) Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair values.

As at 31 December 2020, the Group recorded net current liabilities of HK\$37,880,000.

The directors of the Company have assessed the situation and taken the following measures to improve the financial position and liquidity of the Group:

- (i) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash flows from its operation; and
- (ii) The Group can utilise the undrawn facilities of RMB63,000,000 (approximately HK\$74,821,000) available from the banks as at 31 December 2020.

The directors of the Company are of opinion that, as a result of the above measures, the Group will have sufficient working capital to meet its cash flows requirements as reflected in the cash flow projections of the Group covering a period of fifteen months from the end of the reporting period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports that are used by the chief operating decision-maker to make strategic decisions.

The Group has three reportable segments for the years ended 31 December 2020 and 2019. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations of each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15

- Transmission and distribution of natural gas
- Trading of electronic components

Revenue from other sources

- Property investment

Segment assets exclude cash and cash equivalents, pledged bank deposit and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment transfer of non-current assets are priced at net book value as at transfer date. There was no inter-segment sale or transfer during the years ended 31 December 2020 and 2019. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

(a) **Reportable segments**

For the year ended 31 December 2020

	Transmission and distribution of natural gas <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>74,217</u>	<u>–</u>	<u>14,006</u>	<u>88,223</u>
Reportable segment profit/(loss)	<u>54,064</u>	<u>(1,229)</u>	<u>1,338</u>	<u>54,173</u>
Reportable segment assets	<u>240,984</u>	<u>960</u>	<u>266,138</u>	<u>508,082</u>
Reportable segment liabilities	<u>(53,517)</u>	<u>–</u>	<u>(71,994)</u>	<u>(125,511)</u>
Other segment information:				
Bank interest income	26	–	14	40
Unallocated				<u>1,590</u>
Total bank interest income				1,630
Gain on disposal of a subsidiary	55,197	–	–	55,197
Depreciation	(6,881)	–	(1,777)	(8,658)
Unallocated				<u>(3,453)</u>
Total depreciation				<u>(12,111)</u>
Amortisation of other intangible assets	(378)	–	–	(378)
Impairment loss on goodwill	(1,860)	–	–	(1,860)
Write down of inventories	–	(1,529)	–	(1,529)
Reversal of impairment loss/ (impairment loss) on trade receivables, net	255	300	(312)	243
Unallocated				<u>(1,125)</u>
Impairment loss on trade receivables, net				<u>(882)</u>
Reversal of impairment loss/ (impairment loss) on other receivables and prepayments, net	238	–	–	238
Unallocated				<u>(6,605)</u>
Impairment loss on other receivables and prepayments, net				<u>(6,367)</u>

	Transmission and distribution of natural gas <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Write off of other receivables	(907)	–	–	(907)
Loss arising from changes in fair value of investment properties	–	–	(3,209)	(3,209)
Gain/(loss) on disposal of property, plant and equipment	–	–	(23)	(23)
Unallocated				<u>10</u>
				<u>(13)</u>
Additions to non-current assets	81,834	–	4,862	86,696
Unallocated				<u>564</u>
Total additions to non-current assets				<u><u>87,260</u></u>

For the year ended 31 December 2019

	Transmission and distribution of natural gas <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	66,452	14,242	10,952	91,646
Reportable segment (loss)/profit	(3,685)	(1,749)	7,148	1,714
Reportable segment assets	331,596	4,164	253,016	588,776
Reportable segment liabilities	(68,039)	(1,528)	(65,751)	(135,318)
Other segment information:				
Bank interest income	10	35	4	49
Unallocated				8
Total bank interest income				57
Share of loss of an associate	(94)	–	–	(94)
Gain on disposal of an associate	8,394	–	–	8,394
Depreciation	(14,584)	–	(1,712)	(16,296)
Unallocated				(2,936)
Total depreciation				(19,232)
Amortisation of other intangible assets	(378)	–	–	(378)
Impairment loss on goodwill	(2,941)	–	–	(2,941)
Reversal of impairment loss/ (impairment loss) on trade receivables, net	12	(849)	–	(837)
Unallocated				1,052
Reversal of impairment loss on trade receivables, net				215

	Transmission and distribution of natural gas <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Write off of other receivables	(1,187)	–	–	(1,187)
Unallocated				<u>(406)</u>
				<u><u>(1,593)</u></u>
Bad debt recovery	433	–	–	433
Unallocated				<u>960</u>
Total bad debt recovery				<u><u>1,393</u></u>
Gain/(loss) on disposal of property, plant and equipment	–	160	(957)	(797)
Gain arising from changes in fair value of investment properties	–	–	1,260	1,260
Additions to non-current assets	33,586	–	22,801	56,387
Unallocated				<u>1,698</u>
Total additions to non-current assets				<u><u>58,085</u></u>

(b) **Reconciliation of reportable segment profit, assets and liabilities**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) before income tax		
Total reportable segment's profit	54,173	1,714
Unallocated other income and gains and losses	(6,516)	(1,831)
Corporate and other unallocated expenses	(35,307)	(28,150)
Finance costs	(3,499)	(4,500)
	<u>8,851</u>	<u>(32,767)</u>
Consolidated profit/(loss) before income tax	<u><u>8,851</u></u>	<u><u>(32,767)</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Total reportable segment's assets	508,082	588,776
Cash and cash equivalents	12,544	8,178
Pledged bank deposit	59,382	–
Unallocated corporate assets	28,207	43,773
	<u>608,215</u>	<u>640,727</u>
Consolidated total assets	<u><u>608,215</u></u>	<u><u>640,727</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Liabilities		
Total reportable segment's liabilities	(125,511)	(135,318)
Deferred tax liabilities	(28,028)	(27,196)
Unallocated corporate liabilities	(116,995)	(108,653)
	<u>(270,534)</u>	<u>(271,167)</u>
Consolidated total liabilities	<u><u>(270,534)</u></u>	<u><u>(271,167)</u></u>

(c) **Disaggregation of revenue from contracts with customers**

The Group derives revenue from the transfer of goods at a point in time of HK\$74,217,000 and HK\$56,233,000 for the years ended 31 December 2020 and 2019 respectively, and there is no management fee for natural gas transportation over time is recognised during the year ended 31 December 2020 (year ended 31 December 2019: HK\$10,219,000).

The Group derives revenue in the following product lines and geographical regions.

For the year ended 31 December 2020

	Transmission and distribution of natural gas <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets				
Hong Kong	-	-	-	-
PRC	74,217	-	14,006	88,223
	<u>74,217</u>	<u>-</u>	<u>14,006</u>	<u>88,223</u>
Major products/services				
Sales of goods	74,217	-	-	74,217
Rental income	-	-	14,006	14,006
	<u>74,217</u>	<u>-</u>	<u>14,006</u>	<u>88,223</u>
For the year ended 31 December 2019				
Primary geographical markets				
Hong Kong	-	14,242	-	14,242
PRC	66,452	-	10,952	77,404
	<u>66,452</u>	<u>14,242</u>	<u>10,952</u>	<u>91,646</u>
Major products/services				
Sales of goods	56,233	14,242	-	70,475
Management fee for natural gas transportation	10,219	-	-	10,219
Rental income	-	-	10,952	10,952
	<u>66,452</u>	<u>14,242</u>	<u>10,952</u>	<u>91,646</u>

The following table provides an analysis of the Group's revenue from external customers.

	2020	2019
	HK\$'000	<i>HK\$'000</i>
Hong Kong	–	14,242
PRC (place of domicile)	88,223	77,404
	88,223	91,646

(d) Information about major customers

For the year ended 31 December 2020, revenue from a customer in transmission and distribution of natural gas segment of HK\$59,935,000 which contributed approximately 70% of the Group's total revenue.

For the year ended 31 December 2019, revenue from a customer in trading of electronic components and a customer in transmission and distribution of natural gas segment amounted to HK\$14,242,000 and HK\$38,802,000 respectively. Each of these two customers contributed to 10% or more of the Group's total revenue.

5. REVENUE

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

	2020	2019
	HK\$'000	<i>HK\$'000</i>
Revenue from contracts with customers		
Transmission and distribution of natural gas	74,217	66,452
Sales of electronic components	–	14,242
Revenue from other sources		
Gross rental income	14,006	10,952
	88,223	91,646

Trade receivables from contracts with customers as at 31 December 2020 amounted to HK\$10,331,000 (2019: HK\$11,735,000).

6. OTHER INCOME AND GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,630	57
Sundry income	672	2,439
Bad debt recovery	–	1,393
Exchange (losses)/gains, net	(56)	126
Write off of property, plant and equipment	(9)	(20)
Fair value gain/(loss) on investments held for trading	114	(205)
Loss on disposal of property, plant and equipment	(13)	(797)
Change in fair value of financial liabilities at fair value through profit or loss	(948)	(1,839)
Gain on lease modification	18	–
Government grant – Employment Support Scheme (<i>Note</i>)	540	–
	<u>1,948</u>	<u>1,154</u>

Note: Included in profit or loss is HK\$540,000 (2019: Nil) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period. The Group does not have other unfulfilled obligations relating to this program.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans and other borrowings	3,925	2,461
Interest on loans from a major shareholder	4,164	1,216
Interest on lease liabilities	915	823
	<u>9,004</u>	<u>4,500</u>
Less: Amount capitalised (<i>Note</i>)	(5,505)	–
	<u>3,499</u>	<u>4,500</u>

Note: Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 9% to expenditure on construction in progress.

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	56,441	62,577
Depreciation of property, plant and equipment		
– Owned	6,952	13,204
– Right-of-use assets	5,159	6,028
	<u>12,111</u>	<u>19,232</u>
Items included in other operating expenses:		
Auditor's remuneration		
– Audit service	1,490	1,560
– Non-audit service	80	–
Short-term lease expenses	808	1,023
Building management fees for self-used office premises	481	443
Investment property management fees	5,023	378
Entertainment and trip expenses	4,584	3,492
Legal and professional fees	10,810	7,563
Motor vehicle expenses	2,098	1,301
Other tax expenses	3,604	3,238

9. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – PRC		
– tax for the year	541	151
– Under provision in respect of prior years	10	–
	551	151
Deferred tax liabilities		
– current year	(802)	315
Total income tax (credit)/expense for the year	<u>(251)</u>	<u>466</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 years.

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 year can be reconciled to accounting profit/(loss), at applicable tax rates:

	2020	2019
	HK\$'000	HK\$'000
Profit/(loss) before income tax	8,851	(32,767)
Income tax expense/(credit) calculated at the statutory PRC EIT tax rate of 25% (2019: 25%)	2,213	(8,192)
Effect of different tax rates of subsidiaries operating in Hong Kong	1,884	1,498
Tax effect of expenses not deductible for taxation purposes	5,386	6,902
Tax effect of non-taxable items	(3,141)	(3,710)
Tax effect of unused tax losses and other temporary differences not recognised	4,282	7,461
Utilisation of previously unrecognised tax losses	(10,885)	(3,493)
Under provision in respect of prior years	10	–
Income tax (credit)/expense for the year	(251)	466

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

11. 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(losses) for the year attributable to owners of the Company	10,279	(31,260)
Weighted average of numbers of shares	1,023,987	1,023,987

The computation of diluted earnings per share for the year ended 31 December 2020 does not assume the exercise of the Company's outstanding share options since their exercise price exceeds average market price during 2020.

The computation of diluted losses per share for the year ended 31 December 2019 did 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 earnings/(losses) per share for the years ended 31 December 2020 and 2019 are the same.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and allowances	19,498	21,934
Retirement benefit scheme contributions	1,132	1,577
	20,630	23,511

13. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finished goods	6,210	4,592
Classified as held for sale	—	(190)
	<u>6,210</u>	<u>4,402</u>

The Group made a provision of HK\$1,529,000 to write down the carrying amount of finished goods to net realisable value for the year ended 31 December 2020 (2019: Nil).

14. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	21,548	20,104
Less: provision for impairment	(8,530)	(6,926)
	<u>13,018</u>	<u>13,178</u>
Classified as held for sale	—	(2,352)
	<u>13,018</u>	<u>10,826</u>

- (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 year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	6,926	9,285
Impairment loss/(reversal of impairment loss) recognised, net	882	(215)
Amount written off as uncollectible	(161)	(1,972)
Exchange realignment	883	(172)
At 31 December	<u>8,530</u>	<u>6,926</u>

- (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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	13,018	9,960
31 – 60 days	–	200
61 – 90 days	–	–
Over 90 days	–	3,018
	<u>13,018</u>	<u>13,178</u>
	13,018	13,178

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not past due	12,834	5,367
Less than 31 days past due	184	4,793
31 – 60 days past due	–	–
61 – 90 days past due	–	–
Over 90 days but less than 1 year past due	–	974
More than 1 year past due	–	2,044
	<u>184</u>	<u>7,811</u>
	13,018	13,178

- (e) As at 31 December 2019, trade receivables of HK\$913,000 were pledged to secure a bank loan granted to the Group. The Group has not pledged any of its trade receivables as at 31 December 2020.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables and deposits	17,887	30,609
Value added tax recoverable	16,507	20,411
Loan to a non-controlling shareholder (<i>Note</i>)	–	1,119
Prepayments	<u>11,367</u>	<u>15,736</u>
	45,761	67,875
Less: provision for impairment loss on other receivables and prepayments	<u>(8,014)</u>	<u>(957)</u>
	37,747	66,918
Classified as held for sale	<u>–</u>	<u>(14,410)</u>
	<u><u>37,747</u></u>	<u><u>52,508</u></u>

Note: The loan was unsecured, interest-bearing at 8% per annum and was fully settled during the year.

The below table reconciled the provision for impairment loss on other receivables and prepayments for the year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	957	957
Net impairment loss recognised	6,367	–
Exchange realignment	<u>690</u>	<u>–</u>
At 31 December	<u><u>8,014</u></u>	<u><u>957</u></u>

16. TRADE PAYABLES

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,328	6,452
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	3,129	5,175
	<hr/> 7,457 <hr/>	<hr/> 11,627 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the year ended 31 December 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 year 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 COVID-19 pandemic. However, impact of the decrease in revenue of the trading business on the overall 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 natural gas-related clean energy businesses, it is expected that the Group’s performance and profitability will be improved in the future.

The Group has commenced its construction of the biomass gasification heating plant and facilities in Huaining County, Anhui Province. This is a new section of the clean energy business which is expected to be come into operation in 2021 as the construction progress is heading to the final stage. With the great demand of heat supply in the relevant area in Huaining County, the Group expect the section will generate considerable revenue for the Group.

After more than two years of development, the property investment business in Yichang was in full operation and provide stable cash inflow during the year 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 pandemic 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 cash 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 (the “Circular”) which provide further details relating to the Disposal.

Up to 31 December 2020, for the net proceeds of approximately HK\$91,600,000, the Group has utilised approximately HK\$91,600,000 of the net proceeds as follows:

Use of proceeds	Original allocation as stated in the Circular	Utilised amount for the year ended 31 December 2020
	<i>Approximately HK\$ million</i>	<i>Approximately HK\$ million</i>
To repay the five-year 4.5% coupon unlisted convertible bonds in the principal amount of HK\$60 million issued by the Company in 2015 as disclosed in the announcement of the Company dated 17 February 2015	60.0	60.0
Towards the operating costs of the head office of the Group for the year ended 31 December 2020, which mainly comprise HK\$10.7 million for salaries and director remunerations, HK\$3.7 million for rental expenses, HK\$0.2 million for insurance and HK\$0.3 million for printing expenses	14.9	14.9
Towards the development and construction of the transmission and distribution of natural gas business of the Group in Yichang area	16.7	5.5
Towards the investment, development and construction of the clean energy business of the Group other than Yichang area	0	11.2
	<u>91.6</u>	<u>91.6</u>

FINANCIAL REVIEW

Total revenue was approximately HK\$88,223,000 for the year ended 31 December 2020, which represented a decrease of approximately 3.7% when compared with last year's total revenue of approximately HK\$91,646,000. 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.

During the year under review, audited profit before income tax was approximately HK\$8,851,000 (2019: loss of approximately HK\$32,767,000). The profit attributable to owners of the Company was approximately HK\$10,279,000 (2019: loss of approximately HK\$31,260,000). The Group achieved profit in 2020 which mainly due to a gain on disposal of a subsidiary during the year. 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 2021 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 expand and continue to be the core business segment of the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, net assets of the Group were approximately HK\$337,681,000 (2019: approximately HK\$369,560,000) while its total assets were approximately HK\$608,215,000 (2019: approximately HK\$640,727,000) including cash and bank balances of approximately HK\$12,544,000 (2019: approximately HK\$9,449,000) and pledged bank deposit approximately of HK\$59,382,000 (2019: Nil).

FUNDING ACTIVITIES DURING THE YEAR

The Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2020, current assets of the Group amounted to approximately HK\$129,109,000 which included cash and bank balances of approximately HK\$3,057,000 and approximately RMB7,987,000 (equivalent to HK\$9,487,000), while current liabilities stood at approximately HK\$166,989,000. The Group has external borrowings of approximately HK\$136,460,000. Equity attributable to owners of the Company amounted to approximately HK\$321,074,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 43% (borrowings to equity attributable to owners of the Company) as of 31 December 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 deposits were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. Exchange risk is not significant as the Group conducts business in PRC and does not have import and export business. 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.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, certain of the Group’s investment properties, right-of-use assets and pledged bank deposit were pledged as security for the Group’s bank borrowing, and the Group did not have any significant contingent liabilities.

SEGMENT INFORMATION

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 4 to this annual results announcement.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on GEM of the Stock Exchange on 13 December 2001. As at 31 December 2020, the issued share capital of the Company was made up of 1,023,987,439 ordinary shares of HK\$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies during the year under review.

SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not made any significant investment during the year ended 31 December 2020. No material plan for future investment was noted as at the date of this annual results announcement.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 9 full-time employees working in Hong Kong and 147 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK\$20,630,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

During the year 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 to 5.29 of the GEM Listing Rules and Code Provisions C.3.3 and C.3.7 of the Code Governance Code (the "Code"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year under review, the Audit Committee chaired by Mr. Wan Tze Fan Terence, comprises two other members, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2020, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2020. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Code for the year ended 31 December 2020 contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

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.

For the year 2020, the Company did not have an officer with the title of "Chief Executive". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of some of the Company's operating subsidiaries. This constitutes a deviation of Code Provision A.2.1. The Board holds the view that this arrangement is appropriate for the Company but the Company does not compromise accountability and independent decision making for this since the Company has an 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 the non-executive Directors should be appointed for a specific term, subject to re-election.

During the year under review, the Company has one 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 any 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.

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

Hong Kong, 23 March 2021

For identification only

As at the date of this announcement, the Board comprises Ms. MA Zheng, Mr. WONG Pui Yiu and Mr. YUAN Geng 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>.