



**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 2021**

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

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

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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\$141,544,000 for the year ended 31 December 2021 (2020: approximately HK\$88,223,000), representing an increase of approximately 60.4%.

Loss attributable to owners of the Company amounted to approximately HK\$7,941,000 (2020: profit of approximately HK\$10,279,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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 2021 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 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Re-presented)
<b>Continuing operations</b>			
Revenue	5	141,544	88,223
Other income and gains and losses	6	2,989	1,948
Changes in inventories of finished goods		(89,745)	(51,026)
Staff costs, including directors' remuneration	12	(23,572)	(20,630)
Depreciation		(17,809)	(12,111)
Amortisation of other intangible assets		(378)	(378)
Loss arising from changes in fair value of investment properties		(1,564)	(3,209)
Gain on disposal of a subsidiary		14,550	55,197
Impairment loss on goodwill		–	(1,860)
Reversal of impairment loss/(impairment loss) on trade receivables, net		1,046	(1,182)
Net impairment loss on other receivables and prepayments		(412)	(6,367)
Write off of other receivables		–	(907)
Other operating expenses	8	(26,429)	(34,119)
Finance costs	7	(5,014)	(3,499)
(Loss)/profit before income tax	8	(4,794)	10,080
Income tax (expense)/credit	9	(2,505)	251
(Loss)/profit from continuing operations		(7,299)	10,331
<b>Discontinued operation</b>			
Loss from discontinued operation		(960)	(1,229)
(Loss)/profit for the year		(8,259)	9,102
Attributable to:			
Owners of the Company			
From continuing operations		(6,981)	11,508
From discontinued operation		(960)	(1,229)
		(7,941)	10,279
Non-controlling interests		(318)	(1,177)
(Loss)/profit for the year		(8,259)	9,102

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 <i>(Re-presented)</i>
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		1,004	226
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		7,608	17,449
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of a subsidiary		2,310	3,835
Other comprehensive income for the year		10,922	21,510
Total comprehensive income for the year		2,663	30,612
Total comprehensive income attributable to:			
Owners of the Company			
From continuing operations		3,372	32,890
From discontinued operation		(960)	(1,303)
		2,412	31,587
Non-controlling interests		251	(975)
		2,663	30,612
(Loss)/earnings per share from continuing and discontinued operations			
– Basic	11	HK\$(0.008)	HK\$0.010
– Diluted		HK\$(0.008)	HK\$0.010
(Loss)/earnings per share from continuing operations			
– Basic	11	HK\$(0.007)	HK\$0.011
– Diluted		HK\$(0.007)	HK\$0.011

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		240,721	236,866
Investment properties		228,406	220,223
Goodwill		17,063	16,517
Other intangible assets		935	3,802
Prepayment for property, plant and equipment		764	1,459
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")		6,052	239
<b>Total non-current assets</b>		<u>493,941</u>	<u>479,106</u>
<b>Current assets</b>			
Inventories	13	9,551	6,210
Trade receivables	14	16,914	13,018
Other receivables, deposits and prepayments	15	40,206	37,747
Investments held for trading		79	208
Pledged bank deposit		61,347	59,382
Cash and cash equivalents		111,700	12,544
		239,797	129,109
Assets classified as held for sale		19,212	–
<b>Total current assets</b>		<u>259,009</u>	<u>129,109</u>
<b>Total assets</b>		<u>752,950</u>	<u>608,215</u>
<b>Current liabilities</b>			
Trade payables	16	6,340	7,457
Other payables and accruals		42,614	61,985
Loans from a major shareholder		1,325	–
Lease liabilities		2,418	4,049
Borrowings		86,172	92,510
Tax payable		3,964	988
<b>Total current liabilities</b>		<u>142,833</u>	<u>166,989</u>

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Net current assets/(liabilities)</b>	<u><b>116,176</b></u>	<u>(37,880)</u>
<b>Non-current liabilities</b>		
Loans from a major shareholder	<b>28,273</b>	25,925
Deferred tax liabilities	<b>28,559</b>	28,028
Lease liabilities	<b>6,054</b>	5,642
Borrowings	<u><b>181,038</b></u>	<u>43,950</u>
<b>Total non-current liabilities</b>	<u><b>243,924</b></u>	<u>103,545</u>
<b>Total liabilities</b>	<u><b>386,757</b></u>	<u>270,534</u>
<b>NET ASSETS</b>	<u><b>366,193</b></u>	<u>337,681</u>
<b>Equity</b>		
Share capital	<b>63,999</b>	63,999
Reserves	<u><b>259,387</b></u>	<u>257,075</u>
<b>Equity attributable to owners of the Company</b>	<b>323,386</b>	321,074
<b>Non-controlling interests</b>	<u><b>42,807</b></u>	<u>16,607</u>
<b>TOTAL EQUITY</b>	<u><b>366,193</b></u>	<u>337,681</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	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 FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 31 December 2019 and at 1 January 2020</b>	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 other comprehensive income	-	-	-	-	-	-	-	226	-	226	-	226
<b>Total comprehensive income</b>	-	-	-	-	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	-
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,005	2,005
<b>Balance at 31 December 2020</b>	<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>

Equity attributable to owners of the Company

	Convertible					Financial				Non-controlling interests	Total equity	
	Share capital	Share premium account	bonds equity reserve	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	assets at 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	HK\$'000
Balance at 31 December 2020 and at 1 January 2021	63,999	727,375	-	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681
Profit for the year												
Other comprehensive income:	-	-	-	-	-	-	-	-	(7,941)	(7,941)	(318)	(8,259)
Exchange differences on translation of foreign operations	-	-	-	-	7,039	-	-	-	-	7,039	569	7,608
Reclassification adjustment of foreign operation	-	-	-	-	2,310	-	-	-	-	2,310	-	2,310
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	1,004	-	1,004	-	1,004
Total comprehensive income	-	-	-	-	9,349	-	-	1,004	(7,941)	2,412	251	2,663
Partial disposal of interest in a subsidiary without loss of control	-	-	-	-	-	-	-	-	(100)	(100)	690	590
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,259	25,259
Balance at 31 December 2021	<u>63,999</u>	<u>727,375</u>	<u>-</u>	<u>5,109</u>	<u>51,224</u>	<u>24,066</u>	<u>34,512</u>	<u>1,210</u>	<u>(584,109)</u>	<u>323,386</u>	<u>42,807</u>	<u>366,193</u>

Notes:

- (a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the “Group Reorganisation”) in preparation for the public listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) over the nominal value of the shares of the Company issued in exchange therefor.



- (b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.
- (c) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (d) Share option reserve comprises cumulative expenses recognised on the granting of share options to the employees and consultants over the vesting period.
- (e) Property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

### 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 changed from Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong to Room 518, 5/F, Tower B, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong effective from 1 September 2021. 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, sale of heat and biomass gasification related products and property investment primarily in the PRC.

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

#### (a) Adoption of new or amended HKFRSs – effective on 1 January 2021

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 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amended HKFRSs have material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

**(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 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current <sup>4</sup> Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>	
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of accounting estimates <sup>4</sup>
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>4</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> 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

<sup>4</sup> 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.

#### *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 these amendments in the future will have a material impact on the consolidated financial statements.

*Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies*

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. 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 8, Definition of Accounting Estimates*

The amendments introduce a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

*Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

*Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021*

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to more rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

The amendment is effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at 9 April 2021, the date the amendment was issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. For entities which may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group does not anticipate that the application of these amendments in the future will have a material 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

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.

### 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 started to scale down its business of trading of electronic components during the year 2019 due to persistently net loss suffered by the Group from this reportable segment. During the two years ended 31 December 2020 and 2021, no revenue was derived from this business segment. On 31 December 2021, the directors of the Company resolved to cease the operation of trading of electronic components and this business segment has classified as a discontinued operation. The Group also started a new business of sale of heat and biomass gasification related products during the current year.

The Group’s reportable 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
- Sale of heat and biomass gasification related products
- Trading of electronic components (discontinued operation)

#### **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 2021 and 2020. 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 2021

	Continuing operations				Discontinued operation	
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>141,544</u>	<u>-</u>	<u>141,544</u>
Reportable segment profit/(loss)	<u>20,909</u>	<u>(3,664)</u>	<u>8,682</u>	<u>25,927</u>	<u>(960)</u>	<u>24,967</u>
Reportable segment assets	<u>163,839</u>	<u>102,108</u>	<u>279,213</u>	<u>545,160</u>	<u>-</u>	<u>545,160</u>
Reportable segment liabilities	<u>(124,180)</u>	<u>(13,296)</u>	<u>(56,808)</u>	<u>(194,284)</u>	<u>-</u>	<u>(194,284)</u>
Other segment information:						
Bank interest income	91	14	6	111	-	111
Unallocated						<u>2,510</u>
Total bank interest income						<u>2,621</u>
Gain on disposal of a subsidiary	14,550	-	-	14,550	-	14,550
Depreciation	(10,223)	(2,168)	(3,524)	(15,915)	-	(15,915)
Unallocated						<u>(1,894)</u>
Total depreciation						<u>(17,809)</u>
Amortisation of other intangible assets	(378)	-	-	(378)	-	(378)



	Continuing operations			Discontinued operation		
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reversal of impairment loss on trade receivables, net	699	-	347	1,046	-	1,046
Reversal of impairment loss/ (impairment loss) on other receivables and prepayments, net	143	-	(555)	(412)	-	(412)
Loss arising from changes in fair value of investment properties	-	-	(1,564)	(1,564)	-	(1,564)
Impairment of inventories	-	-	-	-	(960)	(960)
Additions to non-current assets	14,657	30,938	13,599	59,194	-	59,194
Unallocated						6,793
Total additions to non-current assets						<u>65,987</u>

**For the year ended 31 December 2020 (Re-presented)**

	Continuing operations			Discontinued operation	
	Transmission and distribution of natural gas <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	74,217	14,006	88,223	–	88,223
Reportable segment profit/(loss)	54,064	1,338	55,402	(1,229)	54,173
Reportable segment assets	240,984	266,138	507,122	960	508,082
Reportable segment liabilities	(53,517)	(71,994)	(125,511)	–	(125,511)
Other segment information:					
Bank interest income	26	14	40	–	40
Unallocated					1,590
Total bank interest income					1,630
Gain on disposal of a subsidiary	55,197	–	55,197	–	55,197
Depreciation	(6,881)	(1,777)	(8,658)	–	(8,658)
Unallocated					(3,453)
Total depreciation					(12,111)
Amortisation of other intangible assets	(378)	–	(378)	–	(378)
Impairment loss on goodwill	(1,860)	–	(1,860)	–	(1,860)
Write down of inventories	–	–	–	(1,529)	(1,529)
Reversal of impairment loss/ (impairment loss) on trade receivables, net	255	(312)	(57)	300	243
Unallocated					(1,125)
					(882)

	Continuing operations			Discontinued operation	Total HK\$'000
	Transmission and distribution of natural gas HK\$'000	Property investment HK\$'000	Total HK\$'000	Trading of electronic components HK\$'000	
Reversal of impairment loss/ (impairment loss) on other receivables and prepayments, net Unallocated	238	–	238	–	238 <u>(6,605)</u>
Impairment loss on other receivables and prepayments, net					<u><u>(6,367)</u></u>
Write off of other receivables	(907)	–	(907)	–	(907)
Loss arising from changes in fair value of investment properties	–	(3,209)	(3,209)	–	(3,209)
Gain/(loss) on disposal of property, plant and equipment Unallocated	–	(23)	(23)	–	(23) <u>10</u>
					<u><u>(13)</u></u>
Additions to non-current assets Unallocated	81,834	4,862	86,696	–	86,696 <u>564</u>
Total additions to non-current assets					<u><u>87,260</u></u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Re-presented)</i>
<b>(Loss)/profit before income tax and discontinued operation</b>		
Total reportable segment's profit	<b>25,927</b>	55,402
Segment loss from discontinued operation	<b>(960)</b>	(1,229)
Unallocated other income and gains and losses	<b>(326)</b>	(6,516)
Corporate and other unallocated expenses	<b>(25,381)</b>	(35,307)
Finance costs	<b>(5,014)</b>	(3,499)
	<hr/>	<hr/>
Consolidated (loss)/profit before income tax from continuing operations	<b>(5,754)</b>	8,851
	<hr/> <hr/>	<hr/> <hr/>
	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Assets</b>		
Total reportable segment's assets	<b>545,160</b>	508,082
Cash and cash equivalents	<b>111,700</b>	12,544
Pledged bank deposit	<b>61,347</b>	59,382
Unallocated corporate assets	<b>34,743</b>	28,207
	<hr/>	<hr/>
Consolidated total assets	<b>752,950</b>	608,215
	<hr/> <hr/>	<hr/> <hr/>
	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Liabilities</b>		
Total reportable segment's liabilities	<b>(194,284)</b>	(125,511)
Deferred tax liabilities	<b>(28,559)</b>	(28,028)
Unallocated corporate liabilities	<b>(163,914)</b>	(116,995)
	<hr/>	<hr/>
Consolidated total liabilities	<b>(386,757)</b>	(270,534)
	<hr/> <hr/>	<hr/> <hr/>

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

The Group derives revenue from the transfer of goods at a point in time of HK\$122,602,000 from its transmission and distribution of natural gas and sale of heat and biomass gasification related products for the year ended 31 December 2021 (2020: HK\$74,217,000 from transmission and distribution of natural gas).

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

**For the year ended 31 December 2021**

	Continuing operations			Discontinued operation	
	Transmission and distribution of natural gas	Sale of heat and biomass gasification related products	Property investment	Trading of electronic components	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Primary geographical markets</b>					
Hong Kong	-	-	-	-	-
PRC	108,292	14,310	18,942	-	141,544
	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>-</u>	<u>141,544</u>
<b>Major products/services</b>					
Sale of goods	108,292	14,310	-	-	122,602
Rental income	-	-	18,942	-	18,942
	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>-</u>	<u>141,544</u>
<b>For the year ended 31 December 2020</b>					
<b>Primary geographical markets</b>					
Hong Kong	-	-	-	-	-
PRC	74,217	-	14,006	-	88,223
	<u>74,217</u>	<u>-</u>	<u>14,006</u>	<u>-</u>	<u>88,223</u>
<b>Major products/services</b>					
Sale of goods	74,217	-	-	-	74,217
Rental income	-	-	14,006	-	14,006
	<u>74,217</u>	<u>-</u>	<u>14,006</u>	<u>-</u>	<u>88,223</u>

All the Group's revenue from external customers for the years ended 31 December 2021 and 2020 was derived from the PRC (place of domicile).

(d) **Information about major customers**

For the year ended 31 December 2021, revenue from a customer in transmission and distribution of natural gas segment amounted to HK\$87,335,000 which contributed approximately 62% of the Group's total revenue.

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

5. **REVENUE**

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Revenue from contracts with customers		
Transmission and distribution of natural gas	<b>108,292</b>	74,217
Sale of heat and biomass gasification related products	<b>14,310</b>	–
Revenue from other sources		
Gross rental income	<b>18,942</b>	14,006
	<b>141,544</b>	88,223

Trade receivables from contracts with customers as at 31 December 2021 amounted to HK\$14,030,000 (2020: HK\$10,331,000).

## 6. OTHER INCOME AND GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Bank interest income	2,621	1,630
Sundry income	2,438	672
Exchange losses, net	–	(56)
Write off of property, plant and equipment	(1,941)	(9)
Fair value (loss)/gain on investments held for trading	(129)	114
Loss on disposal of property, plant and equipment	–	(13)
Change in fair value of financial liabilities at fair value through profit or loss	–	(948)
Gain on lease modification	–	18
Government grants		
– Employment Support Scheme ( <i>Note</i> )	–	540
	<u>2,989</u>	<u>1,948</u>

*Note:* During the year ended 31 December 2020, the Group obtained government grants of HK\$540,000 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 did not have other unfulfilled obligations relating to this program.

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on bank loans and other borrowings	8,077	3,925
Interest on loans from a major shareholder	3,940	4,164
Interest on lease liabilities	296	915
	<u>12,313</u>	<u>9,004</u>
Less: Amount capitalised ( <i>Note</i> )	(7,299)	(5,505)
	<u>5,014</u>	<u>3,499</u>

*Note:* Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 7% (2020: 9%) to expenditure on construction in progress.

**8. (LOSS)/PROFIT BEFORE INCOME TAX**

(a) (Loss)/profit before income tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Cost of inventories sold	97,529	56,441
Depreciation of property, plant and equipment		
– Owned	12,924	6,952
– Right-of-use assets	4,885	5,159
	17,809	12,111
Items included in other operating expenses:		
Auditor's remuneration		
– Audit services	1,280	1,490
– Non-audit services	–	80
Short-term lease expenses	859	808
Building management fees for self-used office premises	934	481
Investment property management fees	4,231	5,023
Entertainment and trip expenses	4,588	4,584
Legal and professional fees	1,080	10,810
Motor vehicle expenses	2,371	2,098
Other tax expenses	3,922	3,604
<b>Discontinued operation</b>		
Impairment of inventories	960	–
Write down of inventories	–	1,529
Reversal of impairment loss on trade receivables	–	(300)



**(b) Discontinued operation**

The Group started to scale down its business of trading of electronic components during the year 2019 due to persistently net loss suffered by the Group. During the two years ended 31 December 2020 and 2021, no revenue was derived from this business. On 31 December 2021, the directors of the Company resolved to cease the operation of trading of electronic components. Inventories related to this business were fully impaired. Consequently, the operation has been discontinued.

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Results of the discontinued operation:		
Revenue	–	–
Expenses	<b>960</b>	1,229
Finance costs	–	–
	<hr/>	<hr/>
Loss before income tax	<b>960</b>	1,229
Income tax	–	–
	<hr/>	<hr/>
Loss for the year from a discontinued operation	<b>960</b>	1,229
Net cash flows of the discontinued operation:		
Operating cash flows	–	–
Investing cash flows	–	–
Financing cash flows	–	–
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>
Loss per share of the discontinued operation:		
Basic and diluted ( <i>Note 11</i> )	<b>HK\$0.001</b>	HK\$0.001
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of presenting the discontinued operation, the comparative consolidated statement of profit or loss and comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

## 9. INCOME TAX

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – PRC		
– tax for the year	<b>2,896</b>	541
– under provision in respect of prior years	<u>–</u>	<u>10</u>
	<b>2,896</b>	551
Deferred tax liabilities		
– current year	<u>(391)</u>	<u>(802)</u>
Total income tax expense/(credit) for the year	<u><b>2,505</b></u>	<u>(251)</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%.

## 10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/Earnings:		
(Loss)/profit for the year attributable to owners of the Company		
From continuing operations	<b>(6,981)</b>	11,508
From a discontinued operation	<u>(960)</u>	<u>(1,229)</u>
	<u><b>(7,941)</b></u>	<u>10,279</u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
	<b>'000</b>	<b>'000</b>
Weighted average of number of ordinary shares in issue	<u><b>1,023,987</b></u>	<u>1,023,987</u>

The computation of diluted (loss)/earnings per share for the years ended 31 December 2021 and 2020 does not assume the exercise of the Company's outstanding share options since their exercise price exceeds average market price during 2021 and 2020.

Accordingly, the basic and diluted (loss)/earnings per share for the years ended 31 December 2021 and 2020 are the same.

## 12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	<b>21,500</b>	19,498
Retirement benefit scheme contributions	<b>2,072</b>	1,132
	<u>23,572</u>	<u>20,630</u>

For the years ended 31 December 2021 and 2020, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme.

## 13. INVENTORIES

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	<b>9,551</b>	6,210

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.

## 14. TRADE RECEIVABLES

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>25,669</b>	21,548
Less: provision for impairment	<b>(8,755)</b>	(8,530)
	<u>16,914</u>	<u>13,018</u>

- (a) For the business of transmission and distribution of natural gas and sale of heat and biomass gasification related products, 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	<b>8,530</b>	6,926
(Reversal of impairment loss)/impairment loss, net	<b>(1,046)</b>	882
Amount written off as uncollectible	–	(161)
Exchange realignment	<b>1,271</b>	883
	<u>          </u>	<u>          </u>
At 31 December	<b>8,755</b>	8,530
	<u>          </u>	<u>          </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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	<b>16,914</b>	13,018
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	–	–
	<u>          </u>	<u>          </u>
	<b>16,914</b>	13,018
	<u>          </u>	<u>          </u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Not past due	<b>16,759</b>	12,834
	<u>          </u>	<u>          </u>
Less than 31 days past due	<b>155</b>	184
31 – 60 days past due	–	–
61 – 90 days past due	–	–
Over 90 days but less than 1 year past due	–	–
More than 1 year past due	–	–
	<u>          </u>	<u>          </u>
	<b>155</b>	184
	<u>          </u>	<u>          </u>
	<b>16,914</b>	13,018
	<u>          </u>	<u>          </u>

- (e) The Group has not pledged any of its trade receivables as at 31 December 2021 (2020: Nil).

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other receivables and deposits	27,825	17,887
Value added tax recoverable	11,062	16,507
Prepayments	<u>10,724</u>	<u>11,367</u>
	49,611	45,761
Less: provision for impairment loss on other receivables and prepayments	<u>(9,405)</u>	<u>(8,014)</u>
	<u><u>40,206</u></u>	<u><u>37,747</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	8,014	957
Net impairment loss recognised	412	6,367
Exchange realignment	<u>979</u>	<u>690</u>
At 31 December	<u><u>9,405</u></u>	<u><u>8,014</u></u>

## 16. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,193	4,328
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<u>3,147</u>	<u>3,129</u>
	<u><u>6,340</u></u>	<u><u>7,457</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FUTURE OUTLOOK**

Total revenue of the Group for the year ended 31 December 2021 increased when compared to the corresponding period in 2020. Such increase was mainly due to revenue growth of the natural gas business and the contribution of the new biomass gasification heating business in 2021. With the quick recovery from the impact of COVID-19 (the “Pandemic”) of the People’s Republic of China (the “PRC”), our businesses in the PRC were benefited and were growing steadily. Moreover, the increase in demand of the clean energy in the PRC was an important factor that motivated the growth of the natural gas business.

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 2021. The government of the PRC has implemented the policies to encourage the use of clean energy in the PRC and the board (the “Board”) of directors (the “Director(s)”) 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 2021. Our customers are mostly industrial customers.

The Group has commenced its operation of the biomass gasification heating plant and facilities in Huaining County, Anhui Province. This is a new section of the clean energy business. 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.

The property investment business in Yichang 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 segments of the Group.

The business of trading of electronic components was discontinued in 2021 as this sector was not performing in the last two years due to the Pandemic. The Board believes the discontinuation of this business can let the Group focus on its core business.

The outbreak of the Pandemic continued to affect 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 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 EQUITY INTERESTS IN TWO PRC SUBSIDIARIES**

On 26 April 2021 (after trading hours), 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited)<sup>#</sup>, a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company (the "Vendor"), entered into two sale and purchase agreements (the "Sale and Purchase Agreement A" and "Sale and Purchase Agreement B") with Beijing Jingneng Clean Energy Co., Limited a joint stock company incorporated in the PRC with limited liability and is a listed company on the Stock Exchange with stock code 579 (the "Purchaser"). The principal activities of the Purchaser and its subsidiaries are gas-fired power and heat energy generation, wind power generation, photovoltaic power generation, hydropower generation and other businesses.

### **Disposal of 90% equity interest of 宜昌市夷陵區中基熱電有限公司**

Pursuant to Sale and Purchase Agreement A, the Vendor agreed to sell and the Purchaser agreed to acquire 90% equity interest (the "Sale Capital A") of 宜昌市夷陵區中基熱電有限公司 (Yichang City Yiling District China Primary Thermal Power Limited)<sup>#</sup> (the "Target Company A") for a cash consideration of RMB42,072,200 (or adjust to the reference assessed value).

The Target Company A is a limited liability company established in the PRC and is principally engaged in investment, construction and operation of Xiaoxi Tower Natural Gas Thermal-Electric Cogeneration Project in Yiling District, Yichang City, Hubei Province, the PRC.

Before completion of the disposal of Sale Capital A, the Vendor is the registered holder of 100% of the registered capital of the Target Company A. Completion will take place on the date of completion of registration of the transfer of Sale Capital A with the relevant PRC authority, which shall be completed within five working days from the date of receipt of the deposit by the Vendor. Upon completion of the Sale and Purchase Agreement A, the Target Company A will cease to be a subsidiary of the Company and the financial results of the Target Company A will no longer be consolidated into the financial statements of the Group. The Vendor will continue to hold 10% equity interests in the Target Company A upon completion of the Sale and Purchase Agreement A.

The consideration for the disposal of Sale Capital A shall be subject to adjustment with reference to the reference assessed value of Sale Capital A provided by the Purchaser. In the event that the final reference assessed value of Sale Capital A would be less than RMB42,072,200, the consideration for the disposal of Sale Capital A shall be adjusted downward accordingly. For the avoidance of doubt, there shall be no upward adjustment to the consideration.

The disposal of Sale Capital A was completed on 24 August 2021. Accordingly, the Target Company A ceased to be a subsidiary of the Company and the financial results of the Target Company A no longer be consolidated into the financial statements of the Group.

**Disposal of 49% equity interest of 宜昌中基天然氣利用有限公司**

Pursuant to Sale and Purchase Agreement B, the Vendor agreed to sell and the Purchaser agreed to acquire 49% equity interest (the “Sale Capital B”, together with Sale Capital A, the “Sale Capitals”) of 宜昌中基天然氣利用有限公司 (Yichang China Primary Natural Gas Utilisation Company Limited)# (the “Target Company B”) for a cash consideration of RMB532,875 (or adjust to the reference assessed value).

The Target Company B is a limited liability company established in the PRC and is principally engaged in supporting natural gas direct supply pipeline project of Xiaoxi Tower Natural Gas Thermal-Electric Cogeneration Project in Yiling District, Yichang City, Hubei Province, the PRC.

Before completion of the Sale and Purchase Agreement B, the Target Company B has a registered capital of RMB35,000,000 and a nil paid up capital and the Target Company B is owned as to 100% by the Vendor. Completion will take place on the date of completion of registration of the transfer of Sale Capital B with the relevant PRC authority, which shall be completed within five working days from the effective date of the Sale and Purchase Agreement B. Upon completion of the Sale and Purchase Agreement B, the Target Company B will remain as a 51% owned subsidiary of the Company and the financial results of the Target Company B will continue to be consolidated into the financial statements of the Group. The Purchaser will hold 49% equity interest in the Target Company B upon completion of the Sale and Purchase Agreement B.

The consideration for the disposal of Sale Capital B shall be subject to adjustment with reference to the reference assessed value of Sale Capital B provided by the Purchaser. In the event that the final reference assessed value of Sale Capital B would be less than RMB532,875, the consideration for the disposal of Sale Capital B shall be adjusted downward accordingly. For the avoidance of doubt, there shall be no upward adjustment to the consideration.

The disposal of Sale Capital B was completed on 24 August 2021.



Based on the net assets value of unaudited management accounts of the Target Company A and the Target Company B as of 31 December 2020, it is estimated that upon Completion, the Group will record a gain of approximately RMB10.2 million on the disposal of Sale Capitals as contemplated under the Sale and Purchase Agreement A and Sale and Purchase Agreement B (the “Disposals”). After deducting the expenses relating to the Disposals, the net proceeds would be approximately RMB42.3 million. It is expected that approximately RMB26.0 million of the net proceeds would be applied towards the repayment of current account due to Target Company A and the remaining balance would be used for further investment of the Group’s existing natural gas projects. The audited gain as a result of the Disposals to be recorded by the Group is approximately HK\$14,550,000.

Based on the information available to the Company, the reference assessed value of the Sale Capitals will be RMB41,760,000 and RMB490,000 respectively and the considerations for the Sale Capitals will be adjusted to RMB41,760,000 and RMB490,000 respectively.

Reference are made to the announcements of the Company dated 26 April 2021 and 17 May 2021 of the Company which provide further details relating to the Disposals.

## **FINANCIAL REVIEW**

Total revenue was approximately HK\$141,544,000 for the year ended 31 December 2021, which represented an increase of approximately 60.4% when compared with last year’s total revenue of approximately HK\$88,223,000. The Board believes that revenue of the Group will be improved with the growing of the clean energy business.

During the year under review, audited loss before income tax was approximately HK\$4,794,000 (2020: profit of approximately HK\$10,080,000). The loss attributable to owners of the Company was approximately HK\$7,941,000 (2020: profit of approximately HK\$10,279,000). The significant decrease in profit was mainly attributable to there was smaller gain on disposal of equity interests of subsidiaries during the year of approximately HK\$14,550,000 (2020: gain on disposal of a subsidiary approximately HK\$55,197,000). 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 2022 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 and biomass gasification heating 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 2021, net assets of the Group were approximately HK\$366,193,000 (2020: approximately HK\$337,681,000) while its total assets were approximately HK\$752,950,000 (2020: approximately HK\$608,215,000) including cash and bank balances of approximately HK\$111,700,000 (2020: approximately HK\$12,544,000) and pledged bank deposit approximately of HK\$61,347,000 (2020: approximately HK\$59,382,000).

## **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 2021, current assets of the Group amounted to approximately HK\$259,009,000 which included cash and bank balances of approximately HK\$1,374,000 and approximately RMB89,920,000 (equivalent to HK\$110,326,000), while current liabilities stood at approximately HK\$142,833,000. The Group has external borrowings of approximately HK\$267,210,000. Equity attributable to owners of the Company amounted to approximately HK\$323,386,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 83% (borrowings to equity attributable to owners of the Company) as of 31 December 2021.

## **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 2021, 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 2021, 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 2021. No material plan for future investment was noted as at the date of this annual results announcement.

## **EMPLOYEE INFORMATION**

As at 31 December 2021, the Group had 9 full-time employees working in Hong Kong and 148 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK\$23,572,000. 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 D.3.3 and D.3.7 of the Corporate 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 2021, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2021 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 2021 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 2021. 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 2021.

## **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 2021 contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

### **Code Provision C.2.1**

Code Provision C.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 2021, 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 C.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.

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

Hong Kong, 22 March 2022

*# For identification only*

*As at the date of this announcement, the Board comprises Ms. MA Zheng 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>.*