



中國基礎能源控股有限公司
China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8117)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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HIGHLIGHTS

Total revenue was approximately HK\$109,871,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$62,223,000), representing an increase of approximately 76.6% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$14,006,000 (six months ended 30 June 2021: loss of approximately HK\$13,481,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

UNAUDITED RESULTS

The board of Directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 together with the comparative figures as follows. The consolidated interim financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

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

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	34,131	25,052	109,871	62,223
Other income and gains and losses	3	431	(282)	415	(4)
Changes in inventories of finished goods		(29,461)	(14,966)	(85,201)	(40,220)
Staff costs, including directors' remuneration		(4,911)	(5,188)	(10,611)	(10,805)
Depreciation		(4,122)	(3,860)	(8,631)	(7,880)
Amortisation of other intangible assets		(94)	(94)	(189)	(189)
Reversal of impairment loss on					
trade receivables, net		-	62	-	62
Other operating expenses	5	(6,710)	(5,013)	(13,211)	(10,504)
Finance costs	4	(3,243)	(2,986)	(6,586)	(5,593)
Loss before income tax	5	(13,979)	(7,275)	(14,143)	(12,910)
Income tax	6	-	-	-	-
Loss for the period		<u>(13,979)</u>	<u>(7,275)</u>	<u>(14,143)</u>	<u>(12,910)</u>
Attributable to:					
Owners of the Company		(11,501)	(7,257)	(14,006)	(13,481)
Non-controlling interests		(2,478)	(18)	(137)	571
Loss for the period		<u>(13,979)</u>	<u>(7,275)</u>	<u>(14,143)</u>	<u>(12,910)</u>

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>(20,799)</u>	<u>5,042</u>	<u>(18,147)</u>	<u>4,104</u>
Other comprehensive income for the period		<u>(20,799)</u>	<u>5,042</u>	<u>(18,147)</u>	<u>4,104</u>
Total comprehensive income for the period		<u><u>(34,778)</u></u>	<u><u>(2,233)</u></u>	<u><u>(32,290)</u></u>	<u><u>(8,806)</u></u>
Total comprehensive income attributable to:					
Owners of the Company		<u>(30,177)</u>	<u>(2,416)</u>	<u>(30,254)</u>	<u>(9,703)</u>
Non-controlling interests		<u>(4,601)</u>	<u>183</u>	<u>(2,036)</u>	<u>897</u>
		<u><u>(34,778)</u></u>	<u><u>(2,233)</u></u>	<u><u>(32,290)</u></u>	<u><u>(8,806)</u></u>
Losses per share	8				
– Basic		<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.007)</u></u>	<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.013)</u></u>
– Diluted		<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.007)</u></u>	<u><u>HK\$(0.014)</u></u>	<u><u>HK\$(0.013)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		243,743	240,721
Investment properties		218,058	228,406
Goodwill		16,290	17,063
Other intangible assets		714	935
Prepayment for property, plant and equipment		729	764
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")		6,052	6,052
Total non-current assets		485,586	493,941
Current assets			
Inventories		9,054	9,551
Trade receivables	10	6,111	16,914
Other receivables, deposits and prepayments		39,924	40,206
Investments held for trading		49	79
Pledged bank deposit		58,567	61,347
Cash and cash equivalents		121,203	111,700
		234,908	239,797
Assets classified as held for sale		18,175	19,212
Total current assets		253,083	259,009
Total assets		738,669	752,950
Current liabilities			
Trade payables	11	12,519	6,340
Other payables and accruals		43,228	42,614
Loans from a major shareholder		3,357	1,325
Lease liabilities		1,534	2,418
Borrowings	12	99,475	86,172
Tax payable		3,737	3,964
Total current liabilities		163,850	142,833
Net current assets		89,233	116,176

		30 June 2022	31 December 2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Loans from a major shareholder		31,522	28,273
Deferred tax liabilities		27,265	28,559
Lease liabilities		5,813	6,054
Borrowings	<i>12</i>	176,316	181,038
Total non-current liabilities		240,916	243,924
Total liabilities		404,766	386,757
NET ASSETS		333,903	366,193
Equity			
Share capital	<i>13</i>	63,999	63,999
Reserves		229,133	259,387
Equity attributable to owners of the Company		293,132	323,386
Non-controlling interests		40,771	42,807
TOTAL EQUITY		333,903	366,193

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company										
	Share capital	Share premium account	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
Balance at 31 December 2020 and at 1 January 2021 (audited)	63,999	727,375	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681
Loss for the period	-	-	-	-	-	-	-	(13,481)	(13,481)	571	(12,910)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	3,778	-	-	-	-	3,778	326	4,104
Total comprehensive income	-	-	-	3,778	-	-	-	(13,481)	(9,703)	897	(8,806)
Balance at 30 June 2021 (unaudited)	<u>63,999</u>	<u>727,375</u>	<u>5,109</u>	<u>45,653</u>	<u>24,066</u>	<u>34,512</u>	<u>206</u>	<u>(589,549)</u>	<u>311,371</u>	<u>17,504</u>	<u>328,875</u>

	Equity attributable to owners of the Company										
	Share capital	Share premium account	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
Balance at 31 December 2021 and at 1 January 2022 (audited)	63,999	727,375	5,109	51,224	24,066	34,512	1,210	(584,109)	323,386	42,807	366,193
Loss for the period	-	-	-	-	-	-	-	(14,006)	(14,006)	(137)	(14,143)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	(16,248)	-	-	-	-	(16,248)	(1,899)	(18,147)
Total comprehensive income	-	-	-	(16,248)	-	-	-	(14,006)	(30,254)	(2,036)	(32,290)
Balance at 30 June 2022 (unaudited)	<u>63,999</u>	<u>727,375</u>	<u>5,109</u>	<u>34,976</u>	<u>24,066</u>	<u>34,512</u>	<u>1,210</u>	<u>(598,115)</u>	<u>293,132</u>	<u>40,771</u>	<u>333,903</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2022 <i>HK\$'000</i>	Six months ended 30 June 2021 <i>HK\$'000</i>
Net cash generated from operating activities	11,503	1,133
Net cash used in investing activities	(14,485)	(25,507)
Net cash generated from financing activities	17,545	28,128
Net increase in cash and cash equivalents	14,563	3,754
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	111,700	12,544
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,060)	82
CASH AND CASH EQUIVALENTS AT END OF PERIOD	121,203	16,380
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	121,203	16,380

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 518, 5/F, Tower B, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, sales of heat and biomass gasification related products and property investment primarily in the People's Republic of China ("PRC").

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2022. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods as prepared and presented.

2. REVENUE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
Transmission and distribution of natural gas	22,983	17,300	89,350	50,569
Sale of heat and biomass gasification related products	7,499	3,812	13,025	3,812
Revenue from other sources				
Gross rental income	3,649	3,940	7,496	7,842
	34,131	25,052	109,871	62,223

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	28	4	38	10
Sundry income	424	(298)	797	75
Exchange losses, net	-	-	(390)	-
Fair value loss on investments held for trading	(21)	12	(30)	(89)
	431	(282)	415	(4)

4. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	2,060	1,992	4,283	3,731
Interest on loans from a major shareholder	1,118	948	2,214	1,781
Interest on lease liabilities	65	46	89	81
	3,243	2,986	6,586	5,593

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment				
– owned	3,660	2,130	7,423	4,431
– right-of-use assets	462	1,730	1,208	3,449
	<u>4,122</u>	<u>3,860</u>	<u>8,631</u>	<u>7,880</u>
Items included in other operating expenses:				
Short-term lease expenses	216	214	549	670
Building management fees for self-used office premises	97	224	168	449
Investment property management fees	789	1,202	1,606	2,375
Entertainment and trip expenses	887	755	2,156	1,683
Legal and professional fees	315	10	753	23
Motor vehicle expenses	955	655	1,583	1,183
Other tax expenses	546	891	1,569	1,908

6. INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total income tax (credit)/expense for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax	<u>(13,979)</u>	<u>(7,275)</u>	<u>(14,143)</u>	<u>(12,910)</u>

7. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSSES PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Losses				
Losses for the period attributable to owners of the Company	<u>(11,501)</u>	<u>(7,257)</u>	<u>(14,006)</u>	<u>(13,481)</u>

	Three months ended		Six months ended	
	30 June		30 June	
	Number of shares		Number of shares	
	2022	2021	2022	2021
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>

The computation of diluted losses per share for the six months ended 30 June 2022 and 2021 does not assume the exercise of the Company's outstanding share options during the periods since their exercise price exceeds average market price during 2022 and 2021.

Accordingly, the basic and diluted losses per share for the six months ended 30 June 2022 and 2021 are the same.

9. REPORTABLE SEGMENTS

For the six months ended 30 June 2022

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Sales of heat and biomass gasification related products <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	89,350	13,025	7,496	109,871
Reportable segment profit/(loss)	2,868	(3,870)	823	(179)
Reportable segment assets	202,087	107,739	260,055	569,881
Reportable segment liabilities	(159,560)	(17,849)	(55,684)	(233,093)
Other segment information:				
Bank interest income Unallocated	10	4	2	16 22
Total bank interest income				38
Depreciation Unallocated	(4,882)	(233)	(3,057)	(8,172) (459)
Total depreciation				(8,631)
Amortisation of other intangible assets	(189)	-	-	(189)
Additions to non-current assets	1,288	11,497	1,700	14,485

For the six months ended 30 June 2021

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Sales of heat and biomass gasification related products <i>HK\$'000</i> (Unaudited)	Trading of electronic components <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	<u>50,569</u>	<u>3,812</u>	<u>–</u>	<u>7,842</u>	<u>62,223</u>
Reportable segment (loss)/profit	<u>(2,220)</u>	<u>(1,275)</u>	<u>–</u>	<u>759</u>	<u>(2,736)</u>
Reportable segment assets	<u>169,216</u>	<u>88,669</u>	<u>960</u>	<u>271,913</u>	<u>530,758</u>
Reportable segment liabilities	<u>(45,853)</u>	<u>(16,755)</u>	<u>–</u>	<u>(65,056)</u>	<u>(127,664)</u>
Other segment information:					
Bank interest income	2	2	–	3	7
Unallocated					<u>3</u>
Total bank interest income					<u>10</u>
Depreciation	(4,916)	(87)	–	–	(5,003)
Unallocated					<u>(2,877)</u>
Total depreciation					<u>(7,880)</u>
Amortisation of other intangible assets	(189)		–	–	(189)
Additions to non-current assets	2,289	21,443	–	–	<u>23,732</u>

10. TRADE RECEIVABLES

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	14,507	25,669
Less: provision for impairment	(8,396)	(8,755)
	6,111	16,914

- (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 period:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of the period/year	8,755	8,530
(Reversal of impairment loss)/impairment loss, net	–	(1,046)
Amount written off as uncollectible	–	–
Exchange realignment	(359)	1,271
At end of the period/year	8,396	8,755

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

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	5,799	16,914
31 – 60 days	308	–
61 – 90 days	–	–
Over 90 days	4	–
	<u>6,111</u>	<u>16,914</u>

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

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Not past due	496	16,759
Less than 31 days past due	5,303	155
31 – 60 days past due	308	–
61 – 90 days past due	–	–
Over 90 days but less than 1 year past due	–	–
More than 1 year past due	4	–
	<u>5,615</u>	<u>155</u>
	<u>6,111</u>	<u>16,914</u>

11. TRADE PAYABLES

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

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	4,668	3,193
31 – 60 days	510	–
61 – 90 days	260	–
Over 90 days	7,081	3,147
	<u>12,519</u>	<u>6,340</u>

12. BORROWINGS AND BANK LOAN FACILITIES

(a) The Group had the following interest-bearing borrowings at the end of the reporting period:

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Current		
– secured bank term loans	15,671	18,151
– unsecured bank loans	31,094	12,809
– secured bank revolving loans	52,710	55,212
– unsecured loans from non-controlling shareholder	–	–
– unsecured other loan	–	–
	<u>99,475</u>	<u>86,172</u>
Non-current		
– secured bank term loans	89,601	92,625
– unsecured bank loan	86,715	88,413
	<u>176,316</u>	<u>181,038</u>
Total	<u>275,791</u>	<u>267,210</u>

The bank loans were secured by the following:

- (i) Certain investment properties;
- (ii) Certain right-of-use assets;
- (iii) Pledged bank deposit;
- (iv) Corporate guarantee by a subsidiary of the Company;
- (v) Corporate guarantee by a non-controlling shareholder;
- (vi) Corporate guarantees by certain independent third parties;
- (vii) Legal charge over properties of Ms. Ma Zheng, a major shareholder and director of the Company; and
- (viii) Personal guarantees by a director of a subsidiary, Mr. Wei Bu Ti and his wife.

As at 30 June 2022, the effective interest rate of the interest-bearing borrowing was 4.675% per annum (2021: 4.933% per annum).

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

The carrying amounts of the borrowings are denominated in RMB.

13. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0625 each at 31 December 2021, 1 January 2022 and 30 June 2022	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK\$0.0625 each at 31 December 2021, 1 January 2022 and 30 June 2022	1,023,987	63,999

14. OPERATING LEASES

As lessor

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

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within one year	17,617	19,041
Later than one year and not later than two years	14,466	16,221
Later than two years and not later than three years	17,028	17,836
Later than three years and not later than four years	14,026	15,152
Later than four years and not later than five years	15,960	16,859
Over five years	22,517	37,384
	101,614	122,493

15. CAPITAL COMMITMENTS

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Contracted for but not provided: – acquisition of property, plant and equipment	14,194	21,469

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the six months ended 30 June 2022 increased when compared to the corresponding period in 2021. Such increase was mainly due to increase in demand of natural gas and the contribution of the new biomass gasification heating business in the first quarter of 2022. 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 2022. 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 2022. 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 in last year. 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 period under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the Yichang government, we believe the property investment business will continue to be one of the major segments of the Group.

The outbreak of the Pandemic continued to affect the global economy and to most of the industries. The global economy was significantly affected. Luckily, the impact of the Pandemic to the Group is not 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.

Financial review

Total revenue was approximately HK\$109,871,000 for the six months ended 30 June 2022, which represented an increase of approximately 76.6% when compared with approximately HK\$62,223,000 in the corresponding period of last year's total revenue. The Board believes that revenue of the Group will be improved with the growing of the clean energy business.

For the six months ended 30 June 2022, unaudited loss before income tax was approximately HK\$14,143,000 (six months ended 30 June 2021: loss of approximately HK\$12,910,000). The loss attributable to owners of the Company was approximately HK\$14,006,000 (six months ended 30 June 2021: loss of approximately HK\$13,481,000). The loss was slightly increased when compared to the corresponding period of last 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 2022 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy 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 30 June 2022, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

Funding activities

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

Employee information

As at 30 June 2022, the Group has 7 full-time employees working in Hong Kong and 147 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2022 amounted to approximately HK\$10,611,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Capital structure

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

Significant investments

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

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

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2022.

Segment information

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

Charge on group assets and contingent liabilities

As at 30 June 2022, certain of the Group’s investment properties, land use rights and trade receivables were pledged as security for the Group’s borrowings, and the Group did not have any significant liabilities.

Gearing ratio

As at 30 June 2022, current assets of the Group amounted to approximately HK\$253,083,000 which included cash of approximately HK\$499,000 and approximately RMB103,047,000, while current liabilities stood at approximately HK\$163,850,000. The Group had external borrowings of approximately HK\$275,791,000. Equity attributable to owners of the Company amounted to approximately HK\$293,132,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 94% (borrowings to equity attributable to owners of the Company) as of 30 June 2022.

Exposure to fluctuations in exchange rates

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

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

As at 30 June 2022, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 30 June 2022.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2022:

Name of Directors	Number of ordinary shares held		Approximate percentage of interests
	Type of interests	Number of ordinary shares	
Ms. Ma Zheng	Beneficial	371,301,632	36.26%
Mr. Yuan Geng	Beneficial	20,350,633	1.99%

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION

On 8 May 2012, a share option scheme (the “Old Share Option Scheme”) was adopted by the shareholders of the Company. The Old Share Option Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The Old Share Option Scheme expired on 8 May 2022. Therefore, all the 159,268,743 outstanding options granted under the Old Share Option Scheme were lapsed.

A new share option scheme (the “New Share Option Scheme”) was adopted by the shareholders of the Company at the annual general meeting of the Company (the “AGM”) held on 17 May 2022 (the “Adoption Date”). There is no material difference in terms between the Old Share Option Scheme and the New Share Option Scheme.

The New Share Option Scheme which complies with Chapter 23 of the GEM Listing Rules. The New Share Option Scheme is valid and effective for a period of ten years commencing on the Adoption Date.

The purpose of the New Share Option Scheme is to provide incentives and/or rewards to Eligible Participants (as defined below) for their contribution to the growth of the Group and continuing efforts to promote the interests of the Group, and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

The definition of eligible participants in the New Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any suppliers, consultants, agents and advisers who, in the reasonable discretion of the Board, has contributed or may contribute to the Group eligible for options (the “Options”) under the New Share Option Scheme.

Whilst the scope of the Eligible Participants does not limit to the employees and directors of the Group, the Company considers that there can be circumstances when the other Eligible Participants would make contribution to the Group. As the purpose of the New Share Option Scheme is to recognize contributions made and to be made to the growth and development of the Group, the Company is of the view that the wide scope of Eligible Participants will allow flexibility to provide incentives to those Eligible Participants who will contribute to the Group. Granting Options to suppliers and agents of the Group will assist the Group to build its business network and consultants and advisers of the Group may provide valuable advices to the Group and they can be eligible to the Options in light of such advices. The Company will not grant Options to persons who would not or may not contribute to the Group.

The rules of the New Share Option Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire proprietary interests in the Company.

As at 31 March 2022, being the latest practicable date prior to the printing of the circular dated 1 April 2022, the Company has 1,023,987,439 issued Shares. The number of Shares issuable pursuant to the New Share Option Scheme was 102,398,743 Shares, representing 10% of the number of issued share capital of the Company as at 31 March 2022.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and another other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% Scheme Mandate Limit (as defined in the New Share Option Scheme) on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. Having taken into accounts of the outstanding Options, which are less than 10% of the total number of shares in issue, the Company is of the view that the 30% threshold requirement can be met.

No Options were granted by the Company and no Options were exercised or lapsed during the period under review.

A circular containing, among other things, further details of the New Share Option Scheme has been dispatched to the shareholders of the Company on 1 April 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2022, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 30 June 2022.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2022:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	123,867,678	12.10%
Tung Shing Energy Investment Limited	Corporate	123,867,678	12.10%
Excel Sino Investments Limited	Beneficial (<i>Note 1</i>)	123,867,678	12.10%
Mr. Ji Shengzhi	Corporate	110,000,000	10.74%
Ms. Lu Ke	Corporate	110,000,000	10.74%
Ultra Vantage Holdings Limited	Beneficial (<i>Note 2</i>)	110,000,000	10.74%
萬科企業股份有限公司	Corporate	93,089,767	9.09%
成都萬科房地產有限公司	Corporate	93,089,767	9.09%
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Company Limited	Beneficial (<i>Note 3</i>)	93,089,767	9.09%

Notes:

1. Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.
2. Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.
3. Winmaxi (BVI) Company Limited (“Winmaxi”) is a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of China Vanke Co., Ltd.# (萬科企業股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited.

Winmaxi is wholly-owned by Winsteria (BVI) Company Limited, which in turn is wholly-owned by Chogori Investment (Hong Kong) Limited, which in turn is wholly-owned by 成都萬科房地產有限公司, while 成都萬科房地產有限公司 is a controlling subsidiary of 萬科企業股份有限公司.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

During the period under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of the Corporate Governance Code. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. The Audit Committee has reviewed the Group’s unaudited results for the three months and six months ended 30 June 2022 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group’s remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the period under review, the Remuneration Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the period under review, the Nomination Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the six months ended 30 June 2022. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the six months ended 30 June 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2022 save for the following.

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.

During the period under review, the Group still did not have an officer with the title of “Chief Executive” (the “CE”). The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company’s business should rest with the CE. 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 still 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 Group has the Audit Committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2022.

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

Hong Kong, 10 August 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>.