



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)



2016

Third Quarterly Report



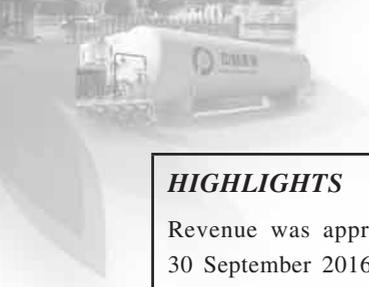
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, 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.

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This report, for which the directors (the “Directors”) of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



HIGHLIGHTS

Revenue was approximately HK\$135,583,000 for the nine months ended 30 September 2016 (nine months ended 30 September 2015: approximately HK\$108,432,000), representing an increase of approximately 25% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$41,300,000 (nine months ended 30 September 2015: loss of approximately HK\$35,228,000).

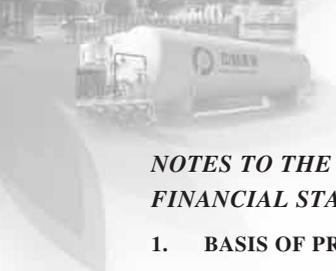
The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

UNAUDITED RESULTS

The board of Directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2016 together with the comparative figures as follows. The consolidated third quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	30,523	39,937	135,583	108,432
Other income and gains and losses	3	877	(268)	754	(1,397)
Cost of sales		(25,447)	(32,268)	(109,689)	(89,496)
Staff costs, including directors' remuneration		(10,105)	(8,165)	(30,343)	(21,292)
Depreciation		(3,331)	(2,513)	(9,925)	(6,181)
Amortisation of land use rights		(187)	(188)	(565)	(590)
Amortisation of other intangible assets		(374)	(357)	(1,086)	(1,069)
Other operating expenses		(8,636)	(5,919)	(23,423)	(18,963)
Share of losses of associates		(289)	(408)	(753)	(812)
Finance costs	4	(1,137)	(1,935)	(3,083)	(4,328)
Loss before income tax	5	(18,106)	(12,084)	(42,530)	(35,696)
Income tax	6	-	-	-	-
Loss for the period		(18,106)	(12,084)	(42,530)	(35,696)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(1,202)	(10,098)	(8,169)	(12,086)
Other comprehensive income for the period		(1,202)	(10,098)	(8,169)	(12,086)
Total comprehensive income for the period		(19,308)	(22,182)	(50,699)	(47,782)
Loss attributable to:					
Owners of the Company		(16,294)	(12,383)	(41,300)	(35,228)
Non-controlling interests		(1,812)	299	(1,230)	(468)
		(18,106)	(12,084)	(42,530)	(35,696)
Total comprehensive income attributable to:					
Owners of the Company		(17,783)	(22,365)	(49,383)	(47,203)
Non-controlling interests		(1,525)	183	(1,316)	(579)
		(19,308)	(22,182)	(50,699)	(47,782)
Basic and diluted loss per share	8	(1.75 cents)	(1.33 cents)	(4.44 cents)	(4.09 cents)



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 in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and transmission and distribution of natural gas which operates primarily in the PRC market.

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 results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2016. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

2. REVENUE

Revenue represents the net invoiced amounts received and receivable for sales of PE pipes and natural gas to customers. An analysis of the Group's revenue is as follows:

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of PE pipes	8,262	12,338	26,873	39,640
Transmission and distribution of natural gas	22,261	27,599	108,710	68,792
	<u>30,523</u>	<u>39,937</u>	<u>135,583</u>	<u>108,432</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sundry income	126	329	(4)	836
Bank interest income	132	183	229	216
Change in fair value of financial assets of fair value through profit or loss	424	–	757	(1,333)
Gain on disposal of investments held for trading	–	1	–	4
Fair value gain/(loss) on investments held for trading	195	(781)	(228)	(1,120)
	<u>877</u>	<u>(268)</u>	<u>754</u>	<u>(1,397)</u>

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interests on bank loan and other borrowings	443	1,935	1,627	4,328
Finance lease interest	694	–	1,456	–
	<u>1,137</u>	<u>1,935</u>	<u>3,083</u>	<u>4,328</u>

5. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:				
Minimum operating lease payments in respect of land and buildings	822	879	3,107	2,584
Depreciation of property, plant and equipment (<i>Note</i>)				
– Owned	5,331	4,736	16,841	13,100
– Held under finance leases	320	19	1,112	61
	<u>5,331</u>	<u>4,736</u>	<u>16,841</u>	<u>13,100</u>

Note: Depreciation charge included amount of HK\$2,319,000 and HK\$8,028,000 respectively for the three months and nine months ended 30 September 2016 (three months and nine months ended 30 September 2015: HK\$2,241,000 and HK\$6,980,000 respectively) recognised as cost of sales for the periods under review.

6. INCOME TAX

Income tax in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income tax for the period	-	-	-	-

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior periods. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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 Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%. No provision for EIT has been made as the subsidiary sustained a loss during the periods under review.

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

8. LOSS PER SHARE

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

Three months ended 30 September		Nine months ended 30 September	
2016	2015	2016	2015
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss:

Loss for the purposes of basic and diluted loss per share

16,294	12,383	41,300	35,228
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Three months ended 30 September		Nine months ended 30 September	
2016	2015	2016	2015
'000	'000	'000	'000

Number of shares:

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share

930,898	930,898	930,898	860,788
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As the convertible bonds and share options outstanding during the three months and nine months ended 30 September 2016 had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in the three months and nine months ended 30 September 2016. Accordingly, the basic and diluted loss per share for the respective reporting periods are the same.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Convertible bonds equity reserve	Employee compensation reserve	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Accumulated losses	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
Balance at 1 January 2015	51,306	510,993	-	-	5,179	64,528	-	(394,670)	9,009	246,345
Loss for the period	-	-	-	-	-	-	-	(35,228)	(468)	(35,696)
Other comprehensive income	-	-	-	-	(1)	(11,974)	-	-	(111)	(12,086)
Total comprehensive income	-	-	-	-	(1)	(11,974)	-	(35,228)	(579)	(47,782)
Recognition of equity-settled share based compensation	-	-	-	5,366	-	-	-	32	-	5,398
Subscription of shares	6,875	146,025	-	-	-	-	-	-	-	152,900
Acquisition of equity interest of subsidiary	-	-	-	-	-	-	-	-	13,056	13,056
Balance at 30 September 2015	58,181	657,018	-	5,366	5,178	52,554	-	(429,866)	21,486	369,917

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Convertible bonds equity reserve	Employee compensation reserve	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Accumulated losses	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
Balance at 1 January 2016	58,181	657,018	80,179	-	5,240	44,081	7,976	(485,982)	21,356	388,049
Loss for the period	-	-	-	-	-	-	-	(41,300)	(1,230)	(42,530)
Other comprehensive income	-	-	-	-	-	(8,083)	-	-	(86)	(8,169)
Total comprehensive income	-	-	-	-	-	(8,083)	-	(41,300)	(1,316)	(50,699)
Equity settled share-based transactions	-	-	-	-	-	-	8,094	-	-	8,094
Capital contribution to a non-wholly owned subsidiary by a non-controlling shareholder	-	-	-	-	-	-	-	-	3,370	3,370
Balance at 30 September 2016	58,181	657,018	80,179	-	5,240	35,998	16,070	(527,282)	23,410	348,814



MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Revenue of the Group for the nine months ended 30 September 2016 increased when compared to the corresponding period in 2015. Such increase was mainly because in the third quarter of 2016, the natural gas business continued to contribute significant revenue to the Group. The board of directors (the “Board”) believes that revenue of the Group will be further improved with the development of the natural gas business and anticipated improvement of the Polyethylene pipes (“PE pipes”) business. Therefore, the results of the Group will be improved accordingly.

After years of business transformation, the natural gas business has become the core business of the Group. Operating performance of the natural gas business segment continued to improve in the third quarter of 2016. In view of the People’s Republic of China (the “PRC”) government has implemented the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. As a result of various acquisitions and investments of the natural gas business in the past two years, the Group operated the natural gas business in various areas and provinces in the PRC. Our customers include industrial customers and domestic customers. In the period under review, the Group disposed certain assets of some subsidiaries which had low profitability and high management cost. Similar disposals may occur again in the future. The Group will focus its resources in the development of piped natural gas business with industrial/commercial clients of a larger business scale. The Group is of the view that the natural gas business is still growing and will become the most significant business of the Group in the near future.

The business segment of the PE pipes has been the major business of the Group in previous years and continued as one of the main businesses of the Group in 2016. The PE pipes include both water pipes and gas pipes. They are products used for construction and city development in the PRC. The Group’s major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. In the last quarter of 2015, we began to sell to government related bodies and customers in a new market – Shenzhen. Shenzhen market will become a very important market of the Group. With the anticipated improvement of revenue and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in the long term.

In view of the pressure on global economic downturn, the Board and management will be more careful and prudence in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

Potential disposal

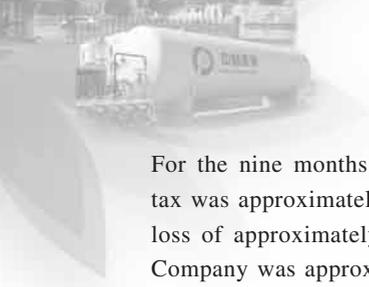
On 22 July 2016, 寧國中基能源有限公司 (Ningguo China Primary Energy Limited[#]) as the vendor, a wholly-owned subsidiary of the Company, entered into a framework agreement with 安徽省皖能港華天然氣有限公司 (Anhui Wenergy Ganghua Natural Gas Limited[#]) as the purchaser in relation to the potential disposal of certain natural gas related assets. Further announcement will be made as when appropriate.

Bank Loan

On 2 November 2015, 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited[#]), a wholly-owned subsidiary of the Company (the "Borrower"), as borrower has entered into a loan agreement with China Construction Bank Corporation Limited – Shenzhen City Branch (the "Bank"), whereby the Bank has agreed to advance to the Borrower a medium term loan of RMB35,000,000 (the "Bank Loan") for a term of five years. The Bank Loan is secured by the shareholdings of two subsidiaries of the Company and certain properties of a director and a director's family member. Each of Ms. Ma Zheng, the Chairman of the Company, and the Company has also executed a guarantee in favour of the Bank to secure the obligations of the Borrower under the Bank Loan.

Financial review

Revenue was approximately HK\$135,583,000 for the nine months ended 30 September 2016, which represented an increase of approximately 25% when compared with approximately HK\$108,432,000 in the corresponding period of last year. The Board believes that revenue of the Group will be further improved with the growing of the natural gas business and anticipated improvement of the manufacturing business.



For the nine months ended 30 September 2016, unaudited loss before income tax was approximately HK\$42,530,000 (nine months ended 30 September 2015: loss of approximately HK\$35,696,000). The loss attributable to owners of the Company was approximately HK\$41,300,000 (nine months ended 30 September 2015: loss of approximately HK\$35,228,000). Significant loss is mainly due to insufficient revenue generated in the reporting period. 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.

Liquidity and financial resources

As at 30 September 2016, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

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

As at 30 September 2016, 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 930,897,672 ordinary shares in issue as at 30 September 2016.

- (i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 2016:*

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		362,621,632	38.95%

(ii) Long position in the underlying shares or debentures of the Company as at 30 September 2016:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share Options (Note)	820,000	0.09%
Mr. Wong Pui Yiu	Beneficial	Share Options (Note)	3,500,000	0.38%
Mr. Wan Tze Fan Terence	Beneficial	Share Options (Note)	700,000	0.08%
Mr. Chung Chin Keung	Beneficial	Share Options (Note)	700,000	0.08%
Mr. Wang Xiao Bing	Beneficial	Share Options (Note)	700,000	0.08%

Note: On 10 April 2015, a total of 6,420,000 share options were granted to Directors as to 820,000 share options to Ms. Ma Zheng, as to 3,500,000 share options to Mr. Wong Pui Yiu, as to 700,000 share options to Mr. Wan Tze Fan Terence, as to 700,000 share options to Mr. Chung Chin Keung and as to 700,000 share options to Mr. Wang Xiao Bing. For further details of the share options granted, please refer to the announcement dated 10 April 2015 of the Company and under the heading “Share Option” below.

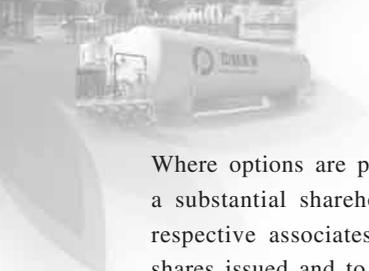
Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION

On 8 May 2012, a new share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which share options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders.



Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the share options granted and to be granted (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any share options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of share options.

On 10 April 2015, share options of 81,720,000 were granted by the Company to certain individuals at exercise price HK\$0.87 per share.

As at 30 September 2016, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 169,759,767. As a result, 169,759,767 shares of the Company could be issued which represented about 18.24% of the issued share capital of the Company as at 30 September 2016 if all the share options were granted and exercised.

Details of the share options granted by the Company under the Share Option Scheme to eligible persons and movement in such holding during the period are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options			Outstanding as at 30 September 2016
				Outstanding as at 1 January 2016	Granted during the period	Lapsed during the period	
Directors							
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	820,000	-	-	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	3,500,000	-	-	3,500,000
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	-	-	700,000
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	-	-	700,000
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	-	-	700,000
Sub-total				6,420,000	-	-	6,420,000
Others							
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	72,200,000	-	(1,950,000)	70,250,000
Sub-total				72,200,000	-	(1,950,000)	70,250,000
Total				78,620,000	-	(1,950,000)	76,670,000



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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2016, 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 930,897,672 ordinary shares in issue as at 30 September 2016.

(i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 2016:*

Name of shareholders	Type of interests	Number of shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	123,867,678	13.31%
Tung Shing Energy Investment Limited	Corporate	123,867,678	13.31%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	13.31%
Mr. Ji Shengzhi	Corporate	110,000,000	11.82%
Ms. Lu Ke	Corporate	110,000,000	11.82%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	11.82%

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.

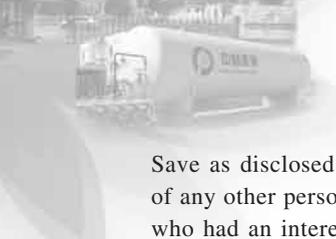
(ii) *Long position in the underlying shares or debentures of the Company as at 30 September 2016:*

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Golden Peak Minerals Limited	Beneficial	Convertible Bonds in the principal amount of HK\$60,000,000 (Note)	60,000,000	6.45%

Note:

On 17 February 2015, the Company entered into the conditional subscription agreement with Golden Peak Minerals Limited (the “CB Subscriber”), pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK\$60,000,000 (the “Convertible Bonds”). Golden Peak Minerals Limited is wholly-owned by Mr. He Xiaoyang, independent third party. Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company.

The Convertible Bonds were issued on 8 May 2015.



Save as disclosed above, as at 30 September 2016, 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 been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. The Audit Committee has reviewed the Group's unaudited results for the nine months ended 30 September 2016 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the nine months ended 30 September 2016. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the nine months ended 30 September 2016.

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

Hong Kong, 9 November 2016

For reference only



As at the date of this report, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.