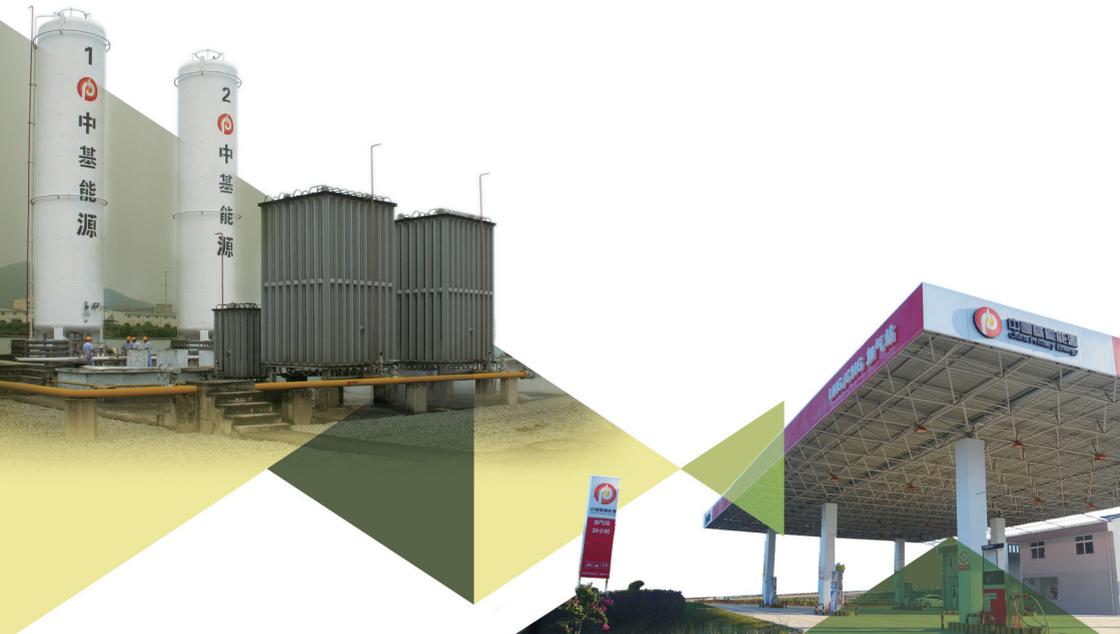




中國基礎能源控股有限公司 China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)

First Quarterly Report
2018



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

HIGHLIGHTS

Revenue was approximately HK\$43,766,000 for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$54,796,000), representing a decrease of approximately 20% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$11,213,000 (three months ended 31 March 2017: loss of approximately HK\$12,542,000).

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

UNAUDITED RESULTS

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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 three months ended 31 March 2018 together with the comparative figures as follows. The consolidated first quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

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

	Notes	Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Revenue	2	43,766	54,796
Other income and gains and losses	3	(218)	(1,032)
Cost of sales		(33,262)	(44,925)
Staff costs, including directors' remuneration		(8,803)	(8,889)
Depreciation		(3,446)	(3,258)
Amortisation of land use rights		(161)	(183)
Amortisation of other intangible assets		(95)	(331)
Other operating expenses		(7,105)	(7,004)
Share of losses of associates		(165)	(197)
Finance costs	4	(1,095)	(838)
Loss before income tax	5	(10,584)	(11,861)
Income tax	6	—	—
Loss for the period		(10,584)	(11,861)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		15,018	3,564
Other comprehensive income for the period		15,018	3,564
Total comprehensive income for the period		4,434	(8,297)
(Loss)/profit attributable to:			
Owners of the Company		(11,213)	(12,542)
Non-controlling interests		629	681
		(10,584)	(11,861)
Total comprehensive income attributable to:			
Owners of the Company		2,950	(9,159)
Non-controlling interests		1,484	862
		4,434	(8,297)
Basic and diluted loss per share	8	(1.17 cents)	(1.35 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 Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and transmission and distribution of natural gas, trading of electronic components and property investment primarily in the 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 2017.

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 2018. 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

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 ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of PE pipes	5,325	7,924
Transmission and distribution of natural gas	16,362	46,872
Sales of electronic components	21,666	–
Rental income	413	–
	<u>43,766</u>	<u>54,796</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sundry income	(122)	(31)
Bank interest income	91	26
Change in fair value of financial assets/liabilities at fair value through profit or loss	(203)	(703)
Fair value Gain/(loss) on investments held for trading	16	(324)
	<u>(218)</u>	<u>(1,032)</u>

4. FINANCE COSTS

	Three months ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	774	545
Finance lease interest	321	293
	<u>1,095</u>	<u>838</u>

5. LOSS BEFORE INCOME TAX

Three months ended 31 March	
2018	2017
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Loss before income tax is arrived at after charging:

Minimum operating lease payments in respect of land and buildings	1,133	826
Depreciation of property, plant and equipment (<i>Note</i>)		
– Owned	3,145	4,628
– Held under finance leases	962	584
	<u> </u>	<u> </u>

Note: Depreciation charge included an amount of HK\$660,000 (three months ended 31 March 2017: HK\$1,954,000) recognised as cost of inventories sold for the periods.

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6. INCOME TAX

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

Three months ended 31 March	
2018	2017
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Income tax for the period	–	–
	<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 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 Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the unaudited loss for the period attributable to owners of the Company of HK\$11,213,000 (three months ended 31 March 2017: HK\$12,542,000), and the weighted average number of ordinary shares of 954,687,279 (three months ended 31 March 2017: 930,897,672) in issue during the period.

The computation of diluted loss per share for the three months ended 31 March 2018 and 2017 does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their conversion and exercise had an anti-dilutive effect on the basic loss per share. Accordingly, the basic and diluted loss per share for the three months ended 31 March 2018 and 2017 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		Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
			HKS'000	HKS'000								
Balance at 1 January 2017	58,181	657,018	80,179	5,240	18,385	18,525	-	(545,243)	292,285	23,400	315,685	
Loss for the period	-	-	-	-	-	-	-	(12,542)	(12,542)	681	(11,861)	
Other comprehensive income	-	-	-	-	3,383	-	-	-	3,383	181	3,564	
Total comprehensive income	-	-	-	-	3,383	-	-	(12,542)	(9,159)	862	(8,297)	
Equity-settled share-based transactions	-	-	-	-	-	2,643	-	-	2,643	-	2,643	
Balance at 31 March 2017	58,181	657,018	80,179	5,240	21,768	21,168	-	(557,785)	285,769	24,262	310,031	

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	Equity attributable to owners of the Company											
	Share capital	Share premium account	Convertible bonds equity reserve		Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
			HKS'000	HKS'000								
Balance at 1 January 2018	58,181	657,018	80,179	5,109	42,226	28,525	7,656	(565,218)	313,676	30,532	344,208	
Loss for the period	-	-	-	-	-	-	-	(11,213)	(11,213)	629	(10,584)	
Other comprehensive income	-	-	-	-	14,163	-	-	-	14,163	855	15,018	
Total comprehensive income	-	-	-	-	14,163	-	-	(11,213)	2,950	1,484	4,434	
Equity-settled share-based transactions	-	-	-	-	-	2,578	-	-	2,578	-	2,578	
Subscription of shares	5,818	70,357	-	-	-	-	-	-	76,175	-	76,175	
Balance at 31 March 2018	63,999	727,375	80,179	5,109	56,389	31,103	7,656	(576,431)	395,379	32,016	427,395	

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Revenue of the Group for the three months ended 31 March 2018 decreased when compared to the corresponding period in 2017. Such decrease was mainly because the sales model of Fujian China Primary Energy Limited[#], a subsidiary of the Company, changed from purchase and sale of natural gas to receiving of natural gas transportation managing fee in 2018. The change does not affect the current operating method, assets and the relevant profit. The board (the “Board”) of directors (the “Director(s)”) believes that revenue of the Group will be improved with the further development of the natural gas business and the trading business. Therefore, the results of the Group will be improved accordingly.

After years of business transformation, the natural gas business was the core business of the Group. Operating performance of the natural gas business segment continued to grow in 2018. 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. The Group operated the natural gas business in various areas and provinces in the PRC in 2018. Our customers include industrial and domestic customers.

With the Group’s years of investment, experience and network in the natural gas business, the Group has been making good use of natural gas synergies in its business development, and has been focusing on natural gas-related clean energy projects. Therefore, natural gas combined heat and power cogeneration is one of the Group’s development direction of the Group. After years of research and negotiation, the company’s wholly-owned subsidiary, Yichang City Yiling District China Primary Heat Power Limited[#], has obtained the consent of Yichang City, Hubei Province, China to develop natural gas combined heat and power cogeneration business in Yiling District, Yichang City. The Group believes that with the development of natural gas combined heat and power cogeneration business and other natural gas-related clean energy business, it is expected that the Group’s performance and profitability will be greatly improved in the future.

The manufacturing segment has been the major business segment of the Group in previous years and continued as one of the businesses of the Group in 2018. The Polyethylene pipes (the “PE pipes”) are the major products of the manufacturing segment and 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 order to broaden the revenue sources of the Group, after years of investigation, the Group started its letting business in Yichang. Rental income became a new business segment of the Group.

From November 2017 onwards, the Group commenced its trading business segment. With the international trading platform in Hong Kong and the built up business relationship of the Group, the trading segment is anticipated to grow with variety of trading products such as natural gas and electronic components.

In view of the unstable global political environment, 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.

Subscription of new shares by Winmaxi (BVI) Company Limited

On 12 February 2018, the Company entered into the subscription agreement (the “Winmaxi Subscription Agreement”) with Winmaxi (BVI) Company Limited (“Winmaxi”) as subscriber, pursuant to which Winmaxi has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 93,089,767 new Shares (the “Winmaxi Subscription Shares(s)”) at the subscription price of HK\$0.8183 per Winmaxi Subscription Share (the “Winmaxi Shares Subscription”).

The subscription price of HK\$0.8183 per Winmaxi Subscription Share represented a discount of approximately 16.50% to the closing price of HK\$0.98 per Share as quoted on the Stock Exchange on 12 February 2018, being the date of the Winmaxi Subscription Agreement. The net subscription price, after deduction of relevant expenses, is approximately HK\$0.8156 per Winmaxi Subscription Share.

By entering into the Winmaxi Subscription Agreement, the Group can broaden its capital base and further strengthen the financial position of the Group. Furthermore, the Winmaxi Shares Subscription will broaden the shareholder base of the Company as the shareholder of Winmaxi is a well-developed listed company.

The gross proceeds of the Winmaxi Shares Subscription of approximately HK\$76.2 million will generally be used as the working capital of the Group in the future.

The completion of the Winmaxi Shares Subscription has taken place on 9 March 2018 pursuant to the terms of the Winmaxi Subscription Agreement and all the 93,089,767 Winmaxi Subscription Shares have been issued and allotted to Winmaxi in accordance with the terms and conditions of the Winmaxi Subscription Agreement. The Winmaxi Subscription Shares rank equally in all respects among themselves and with all other ordinary shares of HK\$0.0625 each.

Details are set out in the announcements dated 12 February 2018, 15 February 2018, 22 February 2018, 9 March 2018 and 4 April 2018 of the Company.

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Subscription of new shares by Asia Bravo Limited

On 12 February 2018, the Company entered into the subscription agreement (the “Asia Bravo Subscription Agreement”) with Asia Bravo Limited (“Asia Bravo”) as subscriber, pursuant to which Asia Bravo has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 53,900,000 new Shares (the “Asia Bravo Subscription Shares(s)”) at the subscription price of HK\$0.8183 per Asia Bravo Subscription Share (the “Asia Bravo Shares Subscription”).

The subscription price of HK\$0.8183 per Asia Bravo Subscription Share represented a discount of approximately 16.50% to the closing price of HK\$0.98 per Share as quoted on the Stock Exchange on 12 February 2018, being the date of the Asia Bravo Subscription Agreement. The net subscription price, after deduction of relevant expenses, is approximately HK\$0.8155 per Asia Bravo Subscription Share.

As disclosed in the announcement dated 12 February 2018, completion of the Asia Bravo Shares Subscription would take place within three business days after the conditions of the Asia Bravo Shares Subscription are fulfilled (or such other date as may be agreed between the parties). As the parties could not agree on the postponement of completion of the Asia Bravo Shares Subscription, the Asia Bravo Shares Subscription has been lapsed and would not be proceeded.

The Board considered that the lapse of the Asia Bravo Shares Subscription does not have any material adverse impact on the financial position and the business operations of the Group.

Details are set out in the announcements dated 12 February 2018, 15 February 2018, 22 February 2018 and 3 April 2018 of the Company.

Financial review

Revenue was approximately HK\$43,766,000 for the three months ended 31 March 2018, which represented a decrease of approximately 20% when compared with approximately HK\$54,796,000 in the corresponding period of last year. The Board believes that revenue of the Group will be improved with the growing of the natural gas business and increase contribution from the trading business.

For the three months ended 31 March 2018, unaudited loss before income tax was approximately HK\$10,584,000 (three months ended 31 March 2017: loss of approximately HK\$11,861,000). The loss attributable to owners of the Company was approximately HK\$11,213,000 (three months ended 31 March 2017: loss of approximately HK\$12,542,000). 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 31 March 2018, 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 31 March 2018, 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 31 March 2018.

- (i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2018:*

Name of Director	Number of ordinary shares held		Approximate percentage of interests
	Type of interests	Number of ordinary shares	
Ms. Ma Zheng	Beneficial	371,051,632	36.24%

(ii) Long position in the underlying shares or debentures of the Company as at 31 March 2018:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share options (Note)	820,000	0.08%
Mr. Wong Pui Yiu	Beneficial	Share options (Note)	3,500,000	0.34%
Mr. Wan Tze Fan Terence	Beneficial	Share options (Note)	700,000	0.07%
Mr. Chung Chin Keung	Beneficial	Share options (Note)	700,000	0.07%
Mr. Wang Xiao Bing	Beneficial	Share options (Note)	700,000	0.07%

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

Save as disclosed above, as at 31 March 2018, 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 31 March 2018, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 167,559,767. As a result, 167,559,767 shares of the Company could be issued which represented about 16.36% of the issued share capital of the Company as at 31 March 2018 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 <i>HK\$</i>	Number of share options		
				Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 31 March 2018
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	68,050,000	-	68,050,000
Sub-total				68,050,000	-	68,050,000
Total				74,470,000	-	74,470,000

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 31 March 2018, 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 31 March 2018.

(i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2018:*

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

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Limited	Beneficial (Note 3)	93,089,767	9.09%

Notes:

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

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

(ii) *Long position in the underlying shares or debentures of the Company as at 31 March 2018:*

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 <i>(Note)</i>	60,000,000	5.86%

Note:

On 17 February 2015, the Company entered into the conditional subscription agreement with Golden Peak Minerals Limited (the “CB Subscriber”), a company incorporated in the British Virgin Islands with limited liability, pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK\$60,000,000 (the “Convertible Bonds”). Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company. As at the date of this report, Golden Peak Minerals Limited is jointly owned by Mr. He Xiaoyang and Mr. Yao Ge, both are independent third parties.

The Convertible Bonds were issued on 8 May 2015.

Save as disclosed above, as at 31 March 2018, 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 three months ended 31 March 2018 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 three months ended 31 March 2018. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the three months ended 31 March 2018.

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

Hong Kong, 11 May 2018

The English translation of Chinese names or words in this report, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

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