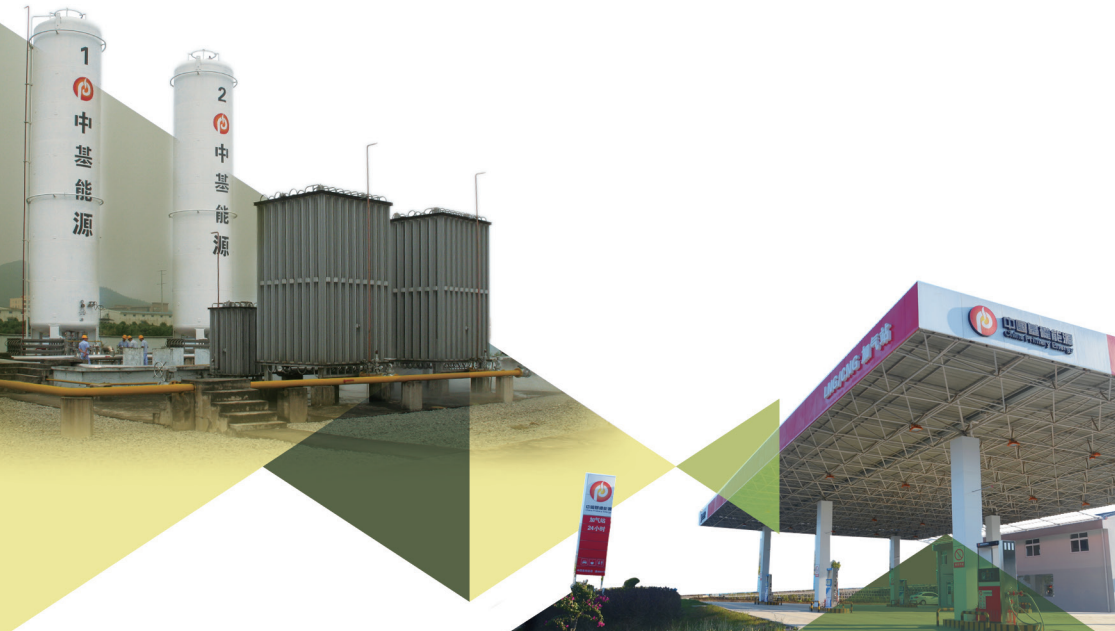




中國基礎能源控股有限公司 China Primary Energy Holdings Limited

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

Interim Report
2018



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

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

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

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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\$95,787,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$112,110,000), representing a decrease of approximately 14.6% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$21,031,000 (six months ended 30 June 2017: loss of approximately HK\$25,117,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018 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**

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	52,021	57,314	95,787	112,110
Other income and gains and losses	3	(949)	(2,104)	(1,167)	(3,136)
Cost of sales		(45,934)	(47,058)	(79,196)	(91,983)
Staff costs, including directors' remuneration		(6,426)	(9,159)	(15,229)	(18,048)
Depreciation		(3,479)	(3,692)	(6,925)	(6,950)
Amortisation of land use rights		(155)	(172)	(316)	(355)
Amortisation of other intangible assets		(94)	(315)	(189)	(646)
Other operating expenses		(4,919)	(6,584)	(12,024)	(13,588)
Share of losses of associates		(174)	(132)	(339)	(329)
Finance costs	4	(1,209)	(1,306)	(2,304)	(2,144)
Loss before income tax	5	(11,318)	(13,208)	(21,902)	(25,069)
Income tax	6	-	-	-	-
Loss for the period		(11,318)	(13,208)	(21,902)	(25,069)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(20,532)	14,607	(5,514)	18,171
Other comprehensive income for the period		(20,532)	14,607	(5,514)	18,171
Total comprehensive income for the period		(31,850)	1,399	(27,416)	(6,898)
(Loss)/profit attributable to:					
Owners of the Company		(9,818)	(12,575)	(21,031)	(25,117)
Non-controlling interests		(1,500)	(633)	(871)	48
		(11,318)	(13,208)	(21,902)	(25,069)
Total comprehensive income attributable to:					
Owners of the Company		(30,044)	1,062	(27,094)	(8,097)
Non-controlling interests		(1,806)	337	(322)	1,199
		(31,850)	1,399	(27,416)	(6,898)
Basic and diluted loss per share	8	(0.96 cents)	(1.35 cents)	(2.13 cents)	(2.70 cents)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2018	31 December 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		290,042	292,837
Investment properties		42,292	42,839
Land use rights		29,747	30,536
Goodwill		29,327	29,575
Other intangible assets		2,170	2,380
Interests in associates		4,379	4,743
Available-for-sale investments		33	33
Total non-current assets		397,990	402,943
Current assets			
Inventories		27,847	13,844
Trade receivables	<i>10</i>	37,594	108,939
Other receivables, deposits and prepayments		76,991	80,703
Investments held for trading		355	400
Cash and cash equivalents		24,647	10,841
Total current assets		167,434	214,727
Total assets		565,424	617,670
Current liabilities			
Trade payables	<i>11</i>	27,876	95,694
Other payables and accruals		71,963	84,902
Customers' deposit		4,153	7,235
Financial liabilities at fair value through profit or loss	<i>12</i>	9,418	8,011
Amount due to a director		415	420
Obligations under finance leases		1,689	10,634
Borrowings	<i>13</i>	40,538	45,625
Tax payable		1,112	1,678
Total current liabilities		157,164	254,199
Net current assets/(liabilities)		10,270	(39,472)

		30 June 2018	31 December 2017
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Amount due to a director		3,319	3,782
Deferred tax liabilities		8,289	8,396
Obligations under finance leases		6,994	7,085
		<hr/>	<hr/>
Total non-current liabilities		18,602	19,263
		<hr/>	<hr/>
Total liabilities		175,766	273,462
		<hr/>	<hr/>
NET ASSETS		389,658	344,208
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	<i>14</i>	63,999	58,181
Reserves		301,336	255,495
		<hr/>	<hr/>
Equity attributable to owners of the Company		365,335	313,676
		<hr/>	<hr/>
Non-controlling interests		24,323	30,532
		<hr/>	<hr/>
TOTAL EQUITY		389,658	344,208
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company										
	Share capital HKS'000	Share premium HKS'000	Convertible		Exchange translation reserve HKS'000	Share option reserve HKS'000	Property revaluation reserve HKS'000	Accumulated losses HKS'000	Total HKS'000	Non- controlling interests HKS'000	Total equity HKS'000
			bonds	Statutory							
			equity reserve HKS'000	surplus reserve 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	-	-	-	-	-	-	-	(25,117)	(25,117)	48	(25,069)
Other comprehensive income	-	-	-	-	17,020	-	-	-	17,020	1,151	18,171
Total comprehensive income	-	-	-	-	17,020	-	-	(25,117)	(8,097)	1,199	(6,898)
Equity settled share-based transactions	-	-	-	-	-	5,314	-	-	5,314	-	5,314
Disposal of partial interest of a wholly owned subsidiary and acquisition of interest in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	7,963	7,963
Balance at 30 June 2017	58,181	657,018	80,179	5,240	35,405	23,839	-	(570,360)	289,502	32,562	322,064

	Equity attributable to owners of the Company										
	Share capital HKS'000	Share premium HKS'000	Convertible		Exchange translation reserve HKS'000	Share option reserve HKS'000	Property revaluation reserve HKS'000	Accumulated losses HKS'000	Total HKS'000	Non- controlling interests HKS'000	Total equity HKS'000
			bonds	Statutory							
			equity reserve HKS'000	surplus reserve 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	-	-	-	-	-	-	-	(21,031)	(21,031)	(871)	(21,902)
Other comprehensive income	-	-	-	-	(6,063)	-	-	-	(6,063)	549	(5,514)
Total comprehensive income	-	-	-	-	(6,063)	-	-	(21,031)	(27,094)	(322)	(27,416)
Equity settled share-based transactions	-	-	-	-	-	2,578	-	-	2,578	-	2,578
Subscription of shares	5,818	70,357	-	-	-	-	-	-	76,175	-	76,175
Acquisition of shares of a subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(5,887)	(5,887)
Balance at 30 June 2018	63,999	727,375	80,179	5,109	36,163	31,103	7,656	(586,249)	365,335	24,223	389,658

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**

	Six months ended 30 June 2018 HK\$'000	Six months ended 30 June 2017 HK\$'000
Net cash generated/(used) in operating activities	(49,105)	26,892
Net cash used in investing activities	(6,745)	(42,258)
Net cash generated from financing activities	69,773	49,281
Net increase in cash and cash equivalents	13,923	33,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,841	17,512
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(117)	816
CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,647	52,243
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	24,647	52,243

07

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 and Hong Kong.

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 of goods sold and rental income earned by the Group. An analysis of the Group's revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Transmission and distribution of natural gas	8,348	35,358	24,710	82,230
Sales of PE pipes	11,739	21,956	17,064	29,880
Sales of electronic components	31,235	-	52,901	-
Rental Income	699	-	1,112	-
	<u>52,021</u>	<u>57,314</u>	<u>95,787</u>	<u>112,110</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Sundry income	274	(210)	152	(241)
Bank interest income	43	20	134	46
Change in fair value of financial liabilities at fair value through profit or loss	(1,205)	(1,704)	(1,408)	(2,407)
Gain on disposal of partial interest of a subsidiary	-	41	-	41
Fair value loss on investments held for trading	(61)	(251)	(45)	(575)
	<u>(949)</u>	<u>(2,104)</u>	<u>(1,167)</u>	<u>(3,136)</u>

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on bank loans and other borrowings	709	573	1,483	1,118
Finance lease interest	500	733	821	1,026
	<u>1,209</u>	<u>1,306</u>	<u>2,304</u>	<u>2,144</u>

5. LOSS BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging:				
Minimum operating lease payments in respect of land and buildings	856	866	1,989	1,692
Depreciation of property, plant and equipment (<i>Note</i>)				
– Owned	3,288	5,190	6,433	9,818
– Held under finance leases	925	611	1,887	1,195
	<u>3,288</u>	<u>5,190</u>	<u>6,433</u>	<u>9,818</u>
	<u>925</u>	<u>611</u>	<u>1,887</u>	<u>1,195</u>

Note: Depreciation charge included amount of HK\$735,000 and HK\$1,395,000 respectively for the three months and six months ended 30 June 2018 (three months and six months ended 30 June 2017: HK\$2,110,000 and HK\$4,064,000 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 June		Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (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.

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 six months ended 30 June 2018 (six months ended 30 June 2017: 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 June		Six months ended 30 June	
2018	2017	2018	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss:

Loss for the purposes of basic and diluted loss per share

9,818	12,575	21,031	25,117
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Three months ended 30 June		Six months ended 30 June	
2018	2017	2018	2017
'000	'000	'000	'000

12

Number of shares:

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

1,023,987	930,898	989,529	930,898
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As the convertible bonds and share options outstanding during the reporting periods 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 both reporting periods. Accordingly, the basic and diluted loss per share for the respective reporting periods are the same.

9. SEGMENT REPORTING

Business segment

For the six months ended 30 June 2018

	Manufacture and sale of PE pipes HK\$'000 (Unaudited)	Transmission and distribution of natural gas HK\$'000 (Unaudited)	Trading of electronic components HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	17,064	24,710	52,901	1,112	95,787
Reportable segment (loss)/profit	(4,422)	(1,477)	(1,300)	662	(6,537)
Reportable segment assets	84,074	381,262	34,473	42,292	542,101
Reportable segment liabilities	(27,229)	(75,490)	(6,911)	(7,587)	(117,217)
Other segment information:					
Bank interest income	87	5			92
Unallocated					42
Total bank interest income					134
Fair value loss on investments held for trading					(45)
Finance costs					(2,304)
Depreciation	(2,845)	(4,950)			(7,795)
Unallocated					(525)
Total depreciation					(8,320)
Amortisation of land use rights	(316)	-			(316)
Amortisation of other intangible assets		(189)			(189)
Additions to non-current assets	8	948			956
Unallocated					47
Total additions to non-current assets					1,003

CHINA PRIMARY ENERGY HOLDINGS LIMITED

For the six months ended 30 June 2017

	Manufacture and sale of PE pipes HK\$'000 (Unaudited)	Transmission and distribution of natural gas HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	29,880	82,230	112,110
Reportable segment (loss)/profit	(5,449)	3,897	(1,552)
Reportable segment assets	97,620	392,272	489,892
Reportable segment liabilities	(12,215)	(126,141)	(138,356)
Other segment information:			
Bank interest income	7	26	33
Unallocated			13
Total bank interest income			46
Fair value loss on investments held for trading			(575)
Finance costs			(2,144)
Depreciation	(2,455)	(4,520)	(6,975)
Unallocated			(4,038)
Total depreciation			(11,013)
Amortisation of land use rights	(335)	(20)	(355)
Amortisation of other intangible assets		(646)	(646)
Additions to non-current assets	(1,603)	(33,653)	(35,256)
Unallocated			(3,452)
Total additions to non-current assets			(38,708)

10. TRADE RECEIVABLES

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	73,954	145,770
Less: Provision for impairment	(36,360)	(36,831)
	<u>37,594</u>	<u>108,939</u>

- (a) The Group's trading terms from sales of PE pipes and composite materials with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. For the trading business, we normally accept cash on delivery on 80%, in minimums of the sale amount and provide six months credit, in maximum, for the remaining 20% of the sale amount.

For the business of transmission and distributions of natural gas, payment in advance is normally required and some customers are on credit terms within 30 days. 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 2018	31 December 2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of the period/year	36,831	37,669
Impairment loss recognised	–	4,065
Recovery of impairment loss previously recognised	–	(7,611)
Exchange realignment	(471)	2,708
	<u>36,360</u>	<u>36,831</u>
At end of the period/year	36,360	36,831

At 30 June 2018, the Group's trade receivables of HK\$36,360,000 (31 December 2017: HK\$36,831,000) were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

- (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 2018	31 December 2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	14,094	93,654
31 – 60 days	6,715	4,889
61 – 90 days	1,980	1,561
Over 90 days	14,805	8,835
	<u>37,594</u>	<u>108,939</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 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Not past due	<u>19,219</u>	<u>6,752</u>
Less than 31 days past due	4,298	88,833
31 – 60 days past due	388	1,911
61 – 90 days past due	4,635	1,420
Over 90 days but less than 1 year past due	2,803	4,545
More than 1 year past due	<u>6,251</u>	<u>5,478</u>
	<u>18,375</u>	<u>102,187</u>
	<u>37,594</u>	<u>108,939</u>

17

11. TRADE PAYABLES

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

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	2,201	91,412
31 – 60 days	4,672	317
61 – 90 days	332	25
Over 90 days	<u>20,671</u>	<u>3,940</u>
	<u>27,876</u>	<u>95,694</u>

12. CONVERTIBLE BONDS

As detailed in the Company's announcement dated 17 February 2015, the Company entered into the conditional subscription agreement with an independent third party, Golden Peak Minerals Limited (the "CB Subscriber" or the "Bondholder"), on 17 February 2015 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" or the "Bonds"). Interest is payable at the anniversary of the issue date each year. As further detailed in the Company's announcement dated 8 April 2015, the Company's proposed resolution for the issue of the Convertible Bonds was duly passed by the shareholders in the extraordinary general meeting held on 8 April 2015 and the Convertible Bonds was executed and issued by a resolution of the board of directors of the Company on 8 May 2015.

Based on the initial conversion price of HK\$1.00 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Share(s)") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full.

The Convertible Bonds shall not be converted into conversion shares for the period from the date of issue of the Convertible Bonds to the date falling three years after the issue of the Convertible Bonds.

The Conversion Price is initially HK\$1.00 per Conversion Share, subject to adjustment for subdivision or consolidation of shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Upon receiving a conversion notice from the Bondholder, the Company shall at its discretion be entitled to redeem the whole amount of outstanding Convertible Bonds or such amount of the Bonds to be converted as set out in that conversion notice (at principal plus interest (to be settled in cash), rather than at fair value of the shares that would be converted), rather than to issue the relevant number of Conversion Shares by giving written notice to the Bondholder within 3 business days from the date of the giving of the relevant conversion notice.

At any time before the maturity date, the Company, by serving at least 14 days' prior written notice, can redeem the Convertible Bonds (in whole or in part) at 100% of the outstanding principal amount of the Convertible Bonds together with interest accrued (to be settled in cash) but unpaid up to the date of redemption. Issuer's redemption option starts on 8 May 2015 and ends on 24 April 2020 (taking into account at least 14 days' prior written notice before the maturity date on 8 May 2020).

At the absolute discretion of the Company, any outstanding Convertible Bonds shall be either (i) redeemed at 100% of its principal amount; or (ii) converted into Conversion Shares at the then conversion price; or (iii) any combination of redemption and conversion, on the maturity date.

The Convertible Bonds were issued on 8 May 2015. The net proceeds of the subscription of approximately HK\$59,799,000 in which issue cost of HK\$201,000 was set off from the face value of the Convertible Bonds of HK\$60,000,000.

Given there is a debt (i.e. unavoidable obligation to pay the interest coupon) and equity (i.e. principal of the loan, settlement mechanism of which is at the issuer's option) element to this hybrid instrument, it is a compound instrument. The liability component of the Convertible Bonds are measured first, at the fair value of a similar liability that does not have an associated equity conversion feature, but including derivatives (i.e. the issuer's early redemption option). The equity component is determined as the residual amount, essentially the issue proceeds of the Convertible Bonds less the liability component including derivatives as at grant date.

The respective values of the financial assets/(liabilities) at fair value through profit or loss and equity component of the Convertible Bonds are as follows:

	Financial liabilities at fair value through profit or loss HK\$'000	Convertible bonds equity reserve HK\$'000	Total HK\$'000
At 1 January 2017 (Audited)	(232)	(80,179)	(80,411)
Change in fair value	<u>(7,779)</u>	<u>–</u>	<u>(7,779)</u>
At 31 December 2017 (Audited)	(8,011)	(80,179)	(88,190)
Change in fair value	<u>(1,407)</u>	<u>–</u>	<u>(1,407)</u>
At 30 June 2018 (Unaudited)	<u><u>(9,418)</u></u>	<u><u>(80,179)</u></u>	<u><u>(89,597)</u></u>

13. BORROWINGS

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current		
Secured bank loan I due for repayment on demand (i)	37,931	43,223
Unsecured bank loan II due for repayment within one year (ii)	1,422	2,402
Secured bank loan III due for repayment within one year (iii)	1,185	–
	<hr/>	<hr/>
Total current	40,538	45,625
	<hr/> <hr/>	<hr/> <hr/>

- (i) Bank loan I is repayable in 60 monthly instalments, commencing in July 2017 and contains repayable on demand clause. Bank loan II is secured by legal charge for RMB52,966,900 over two properties belonging to Ms. Ma Zheng, director and a major shareholder of the Company and Mr. Lin Jian Dong, related party of Ms. Ma Zheng, and personal guarantee by Ms. Ma Zheng. Bank loan II is interest-bearing at 6.22% per annum on monthly rests. The average interest rates of the Group's bank borrowing is 5.95% during the year ended 31 December 2017.
- (ii) The revolving loan is denominated in RMB and is unsecured. It bears interest rate at 7.18% per annum as at 31 December 2017 and will be repayable on maturity on 15 December 2018.
- (iii) The loan is denominated in RMB and is secured by machineries, interest free and will be payable on maturity on 10 April 2019.
- (iv) The Group's borrowings are denominated in RMB.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.0625 each at 31 December 2017, 1 January 2018 and 30 June 2018	1,920,000	120,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.0625 each at 31 December 2017 and 1 January 2018	930,898	58,181
Subscription of shares during the period	93,089	5,818
Ordinary shares of HK\$0.0625 each at 30 June 2018	1,023,987	63,999

15. OPERATING LEASES**As lessor**

At the end of each reporting period, the Group had total future minimum lease receivables in respect of leased properties under non-cancellable lease as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	2,863	2,749
After one year but within five years	9,949	12,458
	12,812	15,207

At 30 June 2018, the Group leases its properties under operating lease arrangements which run for an initial period of five years.

As lessee

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	3,303	3,160
After one year but within five years	4,470	628
	7,773	3,788

22

16. CAPITAL COMMITMENTS

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contracted but not provided:		
– acquisition of property, plant and equipment	8,018	12,242

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Revenue of the Group for the six months ended 30 June 2018 decreased when compared to the corresponding period in 2017. As disclosed in the announcement dated 19 April 2018, 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 are mostly industrial 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 synergy effect in its business development, and has been focusing on natural gas-related clean energy projects. Therefore, natural gas combined heat and power cogeneration business 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 was still one of the major business segments of the Group in previous years and continued as one of the major 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 growing steadily 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.

24

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.

The gross proceeds of the Winmaxi Shares Subscription is approximately HK\$76.2 million. In the event that no appropriate acquisition and/or potential investment opportunities would be identified, the Company has intended to apply proceeds towards general working capital (include payment of construction costs of natural gas pipelines of existing operations) of the Group as follows: (i) as to approximately HK\$30.7 million for repay pipeline construction costs of Wuhu China Primary Natural Gas Pipeline Company Limited#, a subsidiary of the Company; (ii) as to approximately HK\$9.8 million for building costs of Tengchong China Primary Energy Limited#, a subsidiary of the Company; (iii) as to approximately HK\$25.0 million for the operation costs of the head office of the Company in 2018; and (iv) approximately HK\$10.4 million for reserve of the Company for future expansion and investment opportunities.

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.

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\$95,787,000 for the six months ended 30 June 2018, which represented a decrease of approximately 14.6% when compared with approximately HK\$112,110,000 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 six months ended 30 June 2018, unaudited loss before income tax was approximately HK\$21,902,000 (six months ended 30 June 2017: loss of approximately HK\$25,069,000). The loss attributable to owners of the Company was approximately HK\$21,031,000 (six months ended 30 June 2017: loss of approximately HK\$25,117,000). 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 June 2018, 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 2018, the Group has 11 full-time employees working in Hong Kong and 189 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 2018 amounted to approximately HK\$15,795,000. 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 2018.

Segment information

28 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

Save as disclosed above, during the period under review, the Group did not have any significant contingent liabilities, no other assets of the Group were pledged.

Gearing ratio

As at 30 June 2018, current assets of the Group amounted to approximately HK\$167,434,000 which included cash of approximately HK\$16,312,000 and approximately RMB7,032,000, while current liabilities stood at approximately HK\$157,164,000. The Group had borrowings of approximately HK\$40,538,000. Equity attributable to owners of the Company amounted to approximately HK\$365,335,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 11.1% (borrowings to equity attributable to owners of the Company) as of 30 June 2018.

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 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 30 June 2018.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 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 30 June 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 30 June 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 30 June 2018, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 163,268,743. As a result, 163,268,743 shares of the Company could be issued which represented about 15.94% of the issued share capital of the Company as at 30 June 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 HK\$	Number of share options			
				Outstanding as at 1 January 2018	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 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	-	(13,600,000)	54,450,000
Sub-total				68,050,000	-	(13,600,000)	54,450,000
Total				74,470,000	-	(13,600,000)	60,870,000

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 June 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 30 June 2018.

(i) *Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 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 30 June 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 (Note)	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 30 June 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 and six months ended 30 June 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 six months ended 30 June 2018. 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 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2018 save for the followings.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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 on the Chairman, whereas the day-to-day management of the Company’s business should rest on the CE. Ms. Ma Zheng, the Chairman, is also the director of the Company’s subsidiaries in the PRC. This constitutes a deviation of Code Provision A.2.1. The Board still holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have the Audit Committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

39

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

During the period under review, the Company has a non-executive Director, Mr. Ji Jianghua and three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Ji Jianghua, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Company’s Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

**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 2018.

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

Hong Kong, 10 August 2018

40

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, 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.