



First Quarterly Report

2021



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)

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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

Total revenue was approximately HK\$37,171,000 for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$34,155,000), representing an increase of approximately 8.8% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$6,224,000 (three months ended 31 March 2020: profit of approximately HK\$53,366,000).

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: 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 three months ended 31 March 2021 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**

	<i>Notes</i>	Three months ended	
		31 March	
		2021	2020
		HK\$'000	HK\$'000
Revenue	2	37,171	34,155
Other income and gains and losses	3	278	57
Changes in inventories of finished goods		(25,254)	(21,379)
Staff costs, including directors' remuneration		(5,617)	(4,288)
Depreciation		(4,020)	(5,222)
Amortisation of other intangible assets		(95)	(95)
Gain on disposal of a subsidiary		–	58,770
Reversal of impairment loss on trade receivables, net		–	300
Other operating expenses	5	(5,491)	(4,898)
Finance costs	4	(2,607)	(2,477)
(Loss)/profit before income tax	5	(5,635)	54,923
Income tax	6	–	–
(Loss)/profit for the period		<u>(5,635)</u>	<u>54,923</u>
Attributable to:			
Owners of the Company		(6,224)	53,366
Non-controlling interests		589	1,557
(Loss)/profit for the period		<u>(5,635)</u>	<u>54,923</u>

		Three months ended	
		31 March	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income			
Items that may be reclassified			
subsequently to profit or loss:			
Exchange differences on translation			
of foreign operations		<u>(938)</u>	<u>(14,491)</u>
Other comprehensive income			
for the period		<u>(938)</u>	<u>(14,491)</u>
Total comprehensive income			
for the period		<u>(6,573)</u>	<u>40,432</u>
Total comprehensive income			
attributable to:			
Owners of the Company		<u>(7,287)</u>	43,602
Non-controlling interests		<u>714</u>	<u>(3,170)</u>
		<u>(6,573)</u>	<u>40,432</u>
(Losses)/earnings per share for profit			
attributable to owners of the Company	8		
– Basic		<u>HK\$(0.006)</u>	<u>HK\$0.052</u>
– Diluted		<u>HK\$(0.006)</u>	<u>HK\$0.049</u>

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 transmission and distribution of natural gas, and property investment primarily in the People's Republic of China ("PRC"), and trading of electronic components in 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 2020.

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 2021. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods as prepared and presented.

2. REVENUE

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

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Transmission and distribution of natural gas	33,269	31,108
Sales of electronic components	-	-
Revenue from other sources		
Gross rental income	3,902	3,047
	<u>37,171</u>	<u>34,155</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	6	25
Sundry income	373	272
Fair value loss on investments held for trading	(101)	(35)
Change in fair value of financial liabilities at fair value through profit or loss	-	(205)
	<u>278</u>	<u>57</u>

4. FINANCE COSTS

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	1,739	932
Interest on loans from a major shareholder	833	1,510
Interest on lease liabilities	35	35
	<u>2,607</u>	<u>2,477</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment		
– Owned	2,301	3,672
– Right-of-use assets	1,719	1,550
	<u>4,020</u>	<u>5,222</u>
Items included in other operating expenses:		
Short-term lease expenses	456	299
Building management fees for self-used office premises	225	84
Investment property management fees	1,173	627
Entertainment and trip expenses	928	973
Legal and professional fees	13	10
Motor vehicle expenses	528	440
Other tax expenses	1,017	943
	<u>1,017</u>	<u>943</u>

6. INCOME TAX

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total income tax (credit)/expense 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 subsidiaries during the current and prior periods.

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

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

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax	<u> (5,635) </u>	<u> 54,923 </u>

7. DIVIDEND

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

8. (LOSSES)/EARNINGS PER SHARE

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

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Losses)/earnings for the period attributable to owners of the Company	<u>(6,224)</u>	<u>53,366</u>

(a) Basic

The denominator used for (losses)/earnings per share is the weighted average number of ordinary shares of 1,023,987,000 (three months ended 31 March 2020: 1,023,987,000) in issue during the period.

(b) Diluted

The computation of diluted losses per share for the three months ended 31 March 2021 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 losses per share.

Accordingly, the basic and diluted (losses)/earnings per share for the three months ended 31 March 2021 are the same.

For the three months ended 31 March 2020, the computation of the diluted earnings per share did not assume the exercise of the outstanding share options, as the exercise price was higher than average market price.

	Three months ended 31 March 2020 <i>HK\$'000</i> (Unaudited)
Profit attributable to owners of the Company used in calculating basic earnings per share	53,366
Adjustments for:	
– interest expense on convertible bonds	<u>205</u>
Profit attributable to owners of the Company used in calculating diluted earnings per share	<u><u>53,571</u></u>
	Three months ended 31 March 2020 <i>Number of shares in thousand</i> (Unaudited)
Weighted average number of ordinary shares used in calculating basic earnings per share	1,023,987
Adjustments for:	
– Assumed conversion of convertible bonds	<u>60,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>1,083,987</u></u>

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company											
	Share capital	Convertible			Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at		Total	Non-controlling interests	Total equity
		Share premium account	bonds equity reserve	Statutory surplus reserve				FVTOCI reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2020 (audited)	63,999	727,375	80,179	5,109	20,600	25,053	34,512	(20)	(606,006)	350,801	18,759	369,560
Loss for the period	-	-	-	-	-	-	-	-	(5,404)	(5,404)	1,557	(3,847)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(9,764)	-	-	-	-	(9,764)	(4,727)	(14,491)
Disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	58,770	58,770	-	58,770
Total comprehensive income	-	-	-	-	(9,764)	-	-	-	53,366	43,602	(3,170)	40,432
Balance at 31 March 2020 (unaudited)	63,999	727,375	80,179	5,109	10,836	25,053	34,512	(20)	(552,640)	394,403	15,589	409,992
	63,999	727,375	80,179	5,109	10,836	25,053	34,512	(20)	(552,640)	394,403	15,589	409,992
	Equity attributable to owners of the Company											
	Share capital	Convertible			Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at		Total	Non-controlling interests	Total equity
		Share premium account	bonds equity reserve	Statutory surplus reserve				FVTOCI reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2020 and at 1 January 2021 (audited)	63,999	727,375	-	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681
Loss for the period	-	-	-	-	-	-	-	-	(6,224)	(6,224)	589	(5,635)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	(1,063)	-	-	-	-	(1,063)	125	(938)
Total comprehensive income	-	-	-	-	(1,063)	-	-	-	(6,224)	(7,287)	714	(6,573)
Balance at 31 March 2021 (unaudited)	63,999	727,375	-	5,109	40,812	24,066	34,512	206	(582,292)	313,787	17,321	331,108
	63,999	727,375	-	5,109	40,812	24,066	34,512	206	(582,292)	313,787	17,321	331,108

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the three months ended 31 March 2021 increased when compared to the corresponding period in 2020. Such increase was mainly due to revenue growth of the natural gas business and the property investment business. With the quick recover from the impact of COVID-19 of the People's Republic of China (the "PRC"), our businesses in the PRC were benefited and were growing steadily. Moreover, the increase in demand of the clean energy in the PRC was an important factor that motivated the growth of the natural gas business.

The natural gas business is still the core business of the Group. Operating scale of the natural gas business segment continued to be stable in 2021. The government of the PRC has implemented the policies to encourage the use of clean energy in the PRC and the Board considered the prospect of natural gas business is bright. Those policies included the process to change the use of petrol and oil to natural gas for vehicles and industrial users, the set up of the natural gas network department, etc. The Group operated the natural gas business in various areas and provinces in the PRC in 2021. Our customers are mostly industrial customers.

The Group has commenced its construction of the biomass gasification heating plant and facilities in Huaining County, Anhui Province. This is a new section of the clean energy business which is expected to be come into operation in 2021 as the construction progress is heading to the final stage. With the great demand of heat supply in the relevant area in Huaining County, the Group expect the section will generate considerable revenue for the Group.

After more than two years of development, the property investment business in Yichang was in full operation and provide stable cash inflow during the period under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the government, we believe the property investment business will continue to be one of the major segments of the Group.

The outbreak of COVID-19 is a challenge to the global economy and to most of the industries. It is anticipated that the global economy will be significantly affected. Luckily, the impact of the COVID-19 pandemic to the Group is expected not to be so direct and significant as our business of natural gas distribution and property investment relied more on customers' internal demand and natural gas is necessity. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group's operations and operating results.

In view of the unstable global economy, the Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

EVENT AFTER THE REPORTING DATE

On 26 April 2021 (after trading hours), 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited)[#], a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company (the "Vendor"), entered into two sale and purchase agreements (the "Sale and Purchase Agreement A" and "Sale and Purchase Agreement B") with Beijing Jingneng Clean Energy Co., Limited a joint stock company incorporated in the PRC with limited liability and is a listed company on the Stock Exchange with stock code 579 (the "Purchaser").

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

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

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

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

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

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

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

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

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

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

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

Reference are made to the announcement of the Company dated 26 April 2021 of the Company which provide further details relating to the Disposals.

Financial review

Total revenue was approximately HK\$37,171,000 for the three months ended 31 March 2021, which represented an increase of approximately 8.8% when compared with approximately HK\$34,155,000 in the corresponding period of last year’s total revenue. The Board believes that revenue of the Group will be improved with the growing of the natural gas business and increase in contribution from the rental and trading business.

For the three months ended 31 March 2021, unaudited loss before income tax was approximately HK\$5,635,000 (three months ended 31 March 2020: profit of approximately HK\$54,923,000). The loss attributable to owners of the Company was approximately HK\$6,224,000 (three months ended 31 March 2020: profit of approximately HK\$53,366,000). The significant decrease in profit was mainly attributable to there was no gain on disposal of a subsidiary (three months ended 31 March 2020: gain on disposal of a subsidiary approximately HK\$58,770,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group’s corporate resources to create wealth for the shareholders.

Business outlook and prospects

From 2021 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment and the property investment segment. Currently, the energy segment mainly consists of the natural gas business. The Group has developed a natural gas sales network of certain scale. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will expand and continue to be the core business segment of the Group.

The land and properties in Yichang will continue to be let out to generate rental income.

Liquidity and financial resources

As at 31 March 2021, 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 2021, 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 2021.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2021:

Name of Director	<u>Number of ordinary shares held</u>		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 2021:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share options (<i>Note</i>)	820,000	0.08%
Mr. Wong Pui Yiu	Beneficial	Share options (<i>Note</i>)	3,500,000	0.34%
Mr. Yuan Geng	Beneficial	Share options (<i>Note</i>)	8,000,000	0.78%
Mr. Wan Tze Fan Terence	Beneficial	Share options (<i>Note</i>)	700,000	0.07%
Mr. Chung Chin Keung	Beneficial	Share options (<i>Note</i>)	700,000	0.07%
Mr. Wang Xiao Bing	Beneficial	Share options (<i>Note</i>)	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.

On 10 April 2015, Mr. Yuan Geng was granted 8,000,000 share options. He was appointed as executive Director of the Company on 18 February 2021.

Save as disclosed above, as at 31 March 2021, 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 share 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 9 May 2019, the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme was refreshed to 102,398,743, being 10% of the number of issued Shares as at 9 May 2019.

As at 31 March 2021, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 159,268,743. As a result, 159,268,743 shares of the Company could be issued which represented about 15.55% of the issued share capital of the Company as at 31 March 2021 if all the share options were granted and exercised.

As at 31 March 2021, the remaining life of the Share Option Scheme was approximately 1 year and 2 months.

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 31 March 2021
				Outstanding as at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors									
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	820,000	-	-	-	-	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	3,500,000	-	-	-	-	3,500,000
Mr. Yuan Geng (Note)	10 April 2015	1 April 2018 – 7 May 2022	0.87	8,000,000	-	-	-	-	8,000,000
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				14,420,000	-	-	-	-	14,420,000
Others									
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	44,850,000	-	-	(2,400,000)	-	42,450,000
Sub-total				44,850,000	-	-	(2,400,000)	-	42,450,000
Total				59,270,000	-	-	(2,400,000)	-	56,870,000

Note: On 10 April 2015, Mr. Yuan Geng was granted 8,000,000 share options. He was appointed as executive Director of the Company on 18 February 2021.

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 2021, 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 2021.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2021:

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

Notes:

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

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

Save as disclosed above, as at 31 March 2021, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. 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 2021 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the three months ended 31 March 2021. 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 2021.

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

Hong Kong, 12 May 2021

For identification only

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