



Interim 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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HIGHLIGHTS

Total revenue was approximately HK\$62,223,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$50,617,000), representing an increase of approximately 22.9% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$13,481,000 (six months ended 30 June 2020: profit of approximately HK\$38,402,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 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 six months ended 30 June 2021 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	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	25,052	16,462	62,223	50,617
Other income and gains and losses	3	(282)	(241)	(4)	(184)
Changes in inventories of finished goods		(14,966)	(7,803)	(40,220)	(29,182)
Staff costs, including directors' remuneration		(5,188)	(4,047)	(10,805)	(8,335)
Depreciation		(3,860)	(3,171)	(7,880)	(8,393)
Amortisation of other intangible assets		(94)	(94)	(189)	(189)
Gain on disposal of a subsidiary		-	-	-	58,770
Reversal of impairment loss on trade receivables, net		62	17	62	317
Other operating expenses	5	(5,013)	(14,224)	(10,504)	(19,122)
Finance costs	4	(2,986)	(2,209)	(5,593)	(4,686)
(Loss)/profit before income tax	5	(7,275)	(15,310)	(12,910)	39,613
Income tax	6	-	-	-	-
(Loss)/profit for the period		<u>(7,275)</u>	<u>(15,310)</u>	<u>(12,910)</u>	<u>39,613</u>
Attributable to:					
Owners of the Company		(7,257)	(14,964)	(13,481)	38,402
Non-controlling interests		<u>(18)</u>	<u>(346)</u>	<u>571</u>	<u>1,211</u>
(Loss)/profit for the period		<u>(7,275)</u>	<u>(15,310)</u>	<u>(12,910)</u>	<u>39,613</u>

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>5,042</u>	<u>2,775</u>	<u>4,104</u>	<u>(11,716)</u>
Other comprehensive income for the period		<u>5,042</u>	<u>2,775</u>	<u>4,104</u>	<u>(11,716)</u>
Total comprehensive income for the period		<u>(2,233)</u>	<u>(12,535)</u>	<u>(8,806)</u>	<u>27,897</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>(2,416)</u>	<u>(13,042)</u>	<u>(9,703)</u>	<u>30,560</u>
Non-controlling interests		<u>183</u>	<u>507</u>	<u>897</u>	<u>(2,663)</u>
		<u>(2,233)</u>	<u>(12,535)</u>	<u>(8,806)</u>	<u>27,897</u>
(Losses)/earnings per share for profit attributable to owners of the Company	8				
– Basic		<u>HK\$(0.007)</u>	<u>HK\$(0.015)</u>	<u>HK\$(0.013)</u>	<u>HK\$0.038</u>
– Diluted		<u>HK\$(0.007)</u>	<u>HK\$(0.015)</u>	<u>HK\$(0.013)</u>	<u>HK\$0.038</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

		30 June	31 December
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		253,549	236,866
Investment properties		222,969	220,223
Goodwill		16,723	16,517
Other intangible assets		3,954	3,802
Prepayment for property, plant and equipment		1,477	1,459
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")		239	239
		<hr/>	<hr/>
Total non-current assets		498,911	479,106
Current assets			
Inventories		6,059	6,210
Trade receivables	10	10,866	13,018
Other receivables, deposits and prepayments		38,627	37,747
Investments held for trading		119	208
Pledged bank deposit		60,122	59,382
Cash and cash equivalents		16,380	12,544
		<hr/>	<hr/>
Total current assets		132,173	129,109
		<hr/>	<hr/>
Total assets		631,084	608,215
Current liabilities			
Trade payables	11	11,806	7,457
Other payables and accruals		52,145	61,985
Lease liabilities		1,994	4,049
Borrowings	12	124,269	92,510
Tax payable		996	988
		<hr/>	<hr/>
Total current liabilities		191,210	166,989
		<hr/>	<hr/>
Net current liabilities		(59,037)	(37,880)
		<hr/>	<hr/>

		30 June	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Loans from a major shareholder		34,215	25,925
Deferred tax liabilities		28,378	28,028
Lease liabilities		5,712	5,642
Borrowings	12	42,694	43,950
Total non-current liabilities		110,999	103,545
Total liabilities		302,209	270,534
NET ASSETS		328,875	337,681
Equity			
Share capital	13	63,999	63,999
Reserves		247,372	257,075
Equity attributable to owners of the Company		311,371	321,074
Non-controlling interests		17,504	16,607
TOTAL EQUITY		328,875	337,681

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company												
	Convertible						Financial				Non-		Total equity
	Share	bonds	Statutory	Exchange	Share	Property	assets at	Accumulated	Total	controlling	Total		
	capital	premium	equity	surplus	translation	option	revaluation	FVTOCI	losses	interests			
reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve				
HK\$'000	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	
Profit for the period	-	-	-	-	-	-	-	-	38,402	38,402	1,211	39,613	
Other comprehensive income:													
Exchange differences on translation of foreign operations	-	-	-	-	(7,842)	-	-	-	-	(7,842)	(3,874)	(11,716)	
Total comprehensive income	-	-	-	-	(7,842)	-	-	-	38,402	30,560	(2,663)	27,897	
Redemption of Convertible Bonds	-	-	(80,179)	-	-	-	-	-	19,520	(60,659)	-	(60,659)	
Balance at 30 June 2020													
(unaudited)	63,999	727,375	-	5,109	12,758	25,053	34,512	(20)	(548,084)	320,702	16,096	336,798	
Equity attributable to owners of the Company													
	Convertible						Financial				Non-		Total equity
	Share	bonds	Statutory	Exchange	Share	Property	assets at	Accumulated	Total	controlling	Total		
	capital	premium	equity	surplus	translation	option	revaluation	FVTOCI	losses	interests			
	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve			
HK\$'000	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)													
(audited)	63,999	727,375	-	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681	
Loss for the period	-	-	-	-	-	-	-	-	(13,481)	(13,481)	571	(12,910)	
Other comprehensive income:													
Exchange differences on translation of foreign operations	-	-	-	-	3,778	-	-	-	-	3,778	326	4,104	
Total comprehensive income	-	-	-	-	3,778	-	-	-	(13,481)	(9,703)	897	(8,806)	
Balance at 30 June 2021													
(unaudited)	63,999	727,375	-	5,109	45,653	24,066	34,512	206	(589,549)	311,371	17,504	328,875	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2021 <i>HK\$'000</i>	Six months ended 30 June 2020 <i>HK\$'000</i>
Net cash generated from operating activities	1,133	117,646
Net cash (used in)/generated from investing activities	(25,507)	52,769
Net cash generated from/(used in) financing activities	<u>28,128</u>	<u>(99,054)</u>
Net increase in cash and cash equivalents	3,754	71,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,544	8,178
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>82</u>	<u>(165)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>16,380</u>	<u>79,374</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>16,380</u>	<u>79,374</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, sales of heat and biomass gasification related products 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		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
Transmission and distribution of natural gas	17,300	13,049	50,569	44,157
Sales of heat and biomass gasification related products	3,812	–	3,812	–
Sales of electronic components	–	–	–	–
Revenue from other sources				
Gross rental income	3,940	3,413	7,842	6,460
	<u>25,052</u>	<u>16,462</u>	<u>62,223</u>	<u>50,617</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	4	141	10	166
Sundry income	(298)	(296)	75	(24)
Fair value loss on investments held for trading	12	(2)	(89)	(37)
Change in fair value of financial liabilities at fair value through profit or loss	—	(84)	—	(289)
	<u>(282)</u>	<u>(241)</u>	<u>(4)</u>	<u>(184)</u>

4. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	1,992	961	3,731	1,893
Interest on loans from a major shareholder	948	1,231	1,781	2,741
Interest on lease liabilities	46	17	81	52
	<u>2,986</u>	<u>2,209</u>	<u>5,593</u>	<u>4,686</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment				
– Owned	2,130	1,643	4,431	5,315
– Right-of-use assets	1,730	1,528	3,449	3,078
	3,860	3,171	7,880	8,393
Items included in other operating expenses:				
Auditor's remuneration				
– Non-audit service	–	80	–	80
Short-term lease expenses	214	13	670	312
Building management fees for self-used office premises	224	85	449	169
Investment property management fees	1,202	1,374	2,375	2,001
Entertainment and trip expenses	755	1,182	1,683	2,155
Legal and professional fees	10	6,530	23	6,540
Motor vehicle expenses	655	589	1,183	1,029
Other tax expenses	891	655	1,908	1,598

6. INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total income tax (credit)/ expense for the period	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit before income tax	(7,275)	(15,310)	(12,910)	39,613
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 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		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Losses)/earnings for the period attributable to owners of the Company	<u>(7,257)</u>	<u>(14,964)</u>	<u>(13,481)</u>	<u>38,402</u>
Weighted average of numbers of shares	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>	<u>1,023,987</u>

The computation of diluted (losses)/earnings per share for the six months ended 30 June 2021 and 2020 does not assume the exercise of the Company's outstanding share options since their exercise price exceeds average market price during the respective periods in 2021 and 2020.

Accordingly, the basic and diluted (losses)/earnings per share for the six months ended 30 June 2021 and 2020 are the same.

9. REPORTABLE SEGMENTS**For the six months ended 30 June 2021**

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

For the six months ended 30 June 2020

	Transmission and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Trading of electronic components <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	44,157	–	6,460	50,617
Reportable segment profit/(loss)	63,835	(256)	(11,963)	51,616
Reportable segment assets	194,951	3,873	298,151	496,975
Reportable segment liabilities	(24,504)	(101)	(59,407)	(84,012)
Other segment information:				
Bank interest income	4	–	–	4
Unallocated				162
Total bank interest income				166
Gain on disposal of a subsidiary	58,770	–	–	58,770
Depreciation	(5,515)	–	–	(5,515)
Unallocated				(2,820)
Total depreciation				(8,335)
Amortisation of other intangible assets	(189)	–	–	(189)
Additions to non-current assets	15,900	–	–	15,900

10. TRADE RECEIVABLES

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	19,441	21,548
Less: provision for impairment	(8,575)	(8,530)
	<u>10,866</u>	<u>13,018</u>

- (a) For the business of transmission and distribution of natural gas, credit terms are within 30 days to 60 days. For the business of property investment, the Group granted a credit period of 30 days to the tenants. For the trading of electronic components, no credit term is granted to the customers as payment is due when the sales invoices were issued to customers. 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 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
At beginning of the period/year	8,530	6,926
(Reversal of impairment loss)/impairment loss, net	(62)	882
Amount written off as uncollectible	-	(161)
Exchange realignment	107	883
	<u>8,575</u>	<u>8,530</u>
At end of the period/year	<u>8,575</u>	<u>8,530</u>

- (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 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	3,983	13,018
31 – 60 days	3,438	–
61 – 90 days	3,445	–
Over 90 days	–	–
	<u>10,866</u>	<u>13,018</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 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Not past due	<u>279</u>	<u>12,834</u>
Less than 31 days past due	3,894	184
31 – 60 days past due	3,549	–
61 – 90 days past due	3,144	–
Over 90 days but less than 1 year past due	–	–
More than 1 year past due	–	–
	<u>10,587</u>	<u>184</u>
	<u>10,866</u>	<u>13,018</u>

11. TRADE PAYABLES

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

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	4,584	4,328
31 – 60 days	185	–
61 – 90 days	1,048	–
Over 90 days	5,989	3,129
	<u>11,806</u>	<u>7,457</u>

12. BORROWINGS AND BANK LOAN FACILITIES

The Group had the following borrowings at the end of the reporting period:

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current		
– Secured bank term loans	53,962	13,888
– Unsecured bank loans	8,381	5,938
– Secured bank revolving loans	54,110	53,444
– Unsecured loans from non-controlling shareholder	7,816	16,152
– Unsecured other loan	–	3,088
	<u>124,269</u>	<u>92,510</u>
Non-current		
– Secured bank term loans	42,694	43,950
	<u>166,963</u>	<u>136,460</u>

Notes:

The bank loans were secured by the following:

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

As at 30 June 2021, the effective interest rate of the interest-bearing borrowing was 4.906% per annum (2020: 4.914% per annum).

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

The carrying amounts of the borrowings are denominated in RMB.

13. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0625 each at 31 December 2020, 1 January 2021 and 30 June 2021	1,920,000	120,000
	<u>1,920,000</u>	<u>120,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.0625 each at 31 December 2020, 1 January 2021 and 30 June 2021	1,023,987	63,999
	<u>1,023,987</u>	<u>63,999</u>

14. OPERATING LEASES**As lessor**

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	17,301	15,393
Later than one year and not later than two years	16,887	17,780
Later than two years and not later than three years	16,397	15,232
Later than three years and not later than four years	15,879	16,800
Later than four years and not later than five years	15,174	14,195
Over five years	44,433	51,021
	<u>126,071</u>	<u>130,421</u>

15. CAPITAL COMMITMENTS

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contracted for but not provided:		
– acquisition of property, plant and equipment	9,225	14,176
	<u><u>9,225</u></u>	<u><u>14,176</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the six months ended 30 June 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 contribution of the biomass gasification heating 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 operation of the biomass gasification heating plant and facilities in Huaining County, Anhui Province. This is a new section of the clean energy business. With the great demand of heat supply in the relevant area in Huaining County, the Group expect the section will generate considerable revenue for the Group.

The property investment business in Yichang provide stable cash inflow during the period under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the 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.

Disposal of equity interests in two prc subsidiaries

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"). The principal activities of the Purchaser and its subsidiaries are gas-fired power and heat energy generation, wind power generation, photovoltaic power generation, hydropower generation and other businesses.

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.

Based on the information available to the Company, the reference assessed value of the Sale Capitals will be RMB41,760,000 and RMB490,000 respectively and the considerations for the Sale Capitals will be adjusted to RMB41,760,000 and RMB490,000 respectively.

Reference are made to the announcements of the Company dated 26 April 2021 and 17 May 2021 of the Company which provide further details relating to the Disposals.

Financial review

Total revenue was approximately HK\$62,223,000 for the six months ended 30 June 2021, which represented an increase of approximately 22.9% when compared with approximately HK\$50,617,000 in the corresponding period of last year's total revenue. The Board believes that revenue of the Group will be improved with the growing of the clean energy business and increase in contribution from the rental and trading business.

For the six months ended 30 June 2021, unaudited loss before income tax was approximately HK\$12,910,000 (six months ended 30 June 2020: profit of approximately HK\$39,613,000). The loss attributable to owners of the Company was approximately HK\$13,481,000 (six months ended 30 June 2020: profit of approximately HK\$38,402,000). The significant decrease in profit was mainly attributable to there was no gain on disposal of a subsidiary during the period (six months ended 30 June 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 and biomass gasification heating business. The Group has developed a natural gas sales network of certain scale. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will expand and continue to be the core business segment of the Group.

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

Liquidity and financial resources

As at 30 June 2021, 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 2021, the Group has 9 full-time employees working in Hong Kong and 145 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 2021 amounted to approximately HK\$10,805,000. 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 2021.

Segment information

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

Charge on group assets and contingent liabilities

As at 30 June 2021, certain of the Group’s investment properties, land use rights and trade receivables were pledged as security for the Group’s borrowings, and the Group did not have any significant liabilities.

Gearing ratio

As at 30 June 2021, current assets of the Group amounted to approximately HK\$132,173,000 which included cash of approximately HK\$765,000 and approximately RMB12,986,000, while current liabilities stood at approximately HK\$191,210,000. The Group had external borrowings of approximately HK\$166,963,000. Equity attributable to owners of the Company amounted to approximately HK\$311,371,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 54% (borrowings to equity attributable to owners of the Company) as of 30 June 2021.

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 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 30 June 2021.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2021:

Name of Directors	<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%
Mr. Yuan Geng	Beneficial	20,350,633	1.99%

- (ii) Long position in the underlying shares or debentures of the Company as at 30 June 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 30 June 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 30 June 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 30 June 2021 if all the share options were granted and exercised.

As at 30 June 2021, the remaining life of the Share Option Scheme was approximately 11 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 30 June 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	42,450,000	-	-	-	-	42,450,000
Sub-total				42,450,000	-	-	-	-	42,450,000
Total				56,870,000	-	-	-	-	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 30 June 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 30 June 2021.

- (i) Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 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 30 June 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 and six months ended 30 June 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 six months ended 30 June 2021. 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 2021.

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 2021 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.

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 2021.

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

Hong Kong, 11 August 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.