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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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

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This announcement, for which the directors (the "Directors") of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

HIGHLIGHTS

Turnover was approximately HK$88,428,000 for the year ended 31 December 2014 (2013: approximately HK$29,939,000), representing an increase of approximately 195.4%.

Loss attributable to owners of the Company amounted to approximately HK$46,605,000 (2013: loss of approximately HK$44,578,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

AUDITED RESULTS

The board of directors (the "Board") of China Primary Energy Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Turnover	5	**88,428**	29,939
Other income and gains and losses	6	**(1,885)**	979
Cost of sales		**(88,223)**	(41,448)
Staff costs, including directors' remuneration	13	**(15,950)**	(10,133)
Depreciation		**(5,605)**	(4,880)
Amortisation of land use rights		**(771)**	(775)
Amortisation of other intangible assets		**(344)**	–
Impairment loss on trade receivables		**(4,218)**	(4,027)
Other operating expenses		**(17,187)**	(14,183)
Share of profit of an associate		**75**	–
Finance costs	7	**(521)**	(17)
Loss before income tax	8	**(46,201)**	(44,545)
Income tax	9	**(60)**	(33)
Loss for the year		**(46,261)**	(44,578)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
– Change in fair value		**(5,427)**	780
– Impairment loss recognised in profit or loss		**3,863**	–
		(1,564)	780
Exchange differences on translation of foreign operations		**(7,382)**	8,077
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**(9,809)**	–
Share of other comprehensive income of an associate		**20**	–
Other comprehensive income for the year		**(18,735)**	8,857
Total comprehensive income for the year		**(64,996)**	(35,721)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
(Loss)/profit attributable to:			
Owners of the Company		**(46,605)**	(44,578)
Non-controlling interests		**344**	–
		(46,261)	(44,578)
Total comprehensive income attributable to:			
Owners of the Company		**(65,297)**	(35,721)
Non-controlling interests		**301**	–
		(64,996)	(35,721)
			(Restated)
Basic and diluted loss per share (HK$)	12	**(0.068)**	(0.082)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**151,224**	115,269
Land use rights		**32,570**	31,726
Goodwill		**24,660**	–
Other intangible assets		**25,643**	–
Interest in an associate		**5,269**	–
Available-for-sale investments		**33**	10,071
Total non-current assets		**239,399**	157,066
Current assets			
Inventories	14	**18,176**	19,821
Trade receivables	15	**45,702**	33,820
Other receivables, deposits and prepayments	16	**61,039**	111,008
Amount due from an associate		**410**	–
Investments held for trading		**122**	704
Cash and cash equivalents		**8,708**	20,934
		134,157	186,287
Assets classified as held for sale		**–**	207,612
Total current assets		**134,157**	393,899
Total assets		**373,556**	550,965

	Notes	2014 HK$'000	2013 HK$'000
Current liabilities			
Trade payables	17	**21,597**	9,655
Other payables and accruals		**58,570**	17,161
Customers' deposits		**507**	406
Convertible bonds		**–**	246,250
Obligations under finance leases		**305**	–
Borrowings		**37,479**	–
		118,458	273,472
Liabilities associated with assets classified as held for sale		**–**	29,510
Total current liabilities		**118,458**	302,982
Net current assets		**15,699**	90,917
Non-current liabilities			
Deferred tax liabilities		**8,055**	–
Obligations under finance leases		**698**	–
Total non-current liabilities		**8,753**	–
Total liabilities		**127,211**	302,982
NET ASSETS		**246,345**	247,983
Equity			
Share capital		**51,306**	30,180
Reserves		**186,030**	183,898
Equity attributable to owners of the Company		**237,336**	214,078
Non-controlling interests		**9,009**	33,905
TOTAL EQUITY		**246,345**	247,983

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to owners of the Company								
	Share capital *HK$'000*	Share premium account *HK$'000*	Convertible bonds reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Available-for-sale financial assets reserve *HK$'000*	Exchange translation reserve *HK$'000*	Accumulated losses *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2013	30,180	443,564	17,922	5,110	784	73,579	(321,340)	33,905	283,704
Loss for the year	–	–	–	–	–	–	(44,578)	–	(44,578)
Other comprehensive income	–	–	–	–	780	8,077	–	–	8,857
Total comprehensive income	–	–	–	–	780	8,077	(44,578)	–	(35,721)
Balance at 31 December 2013 and at 1 January 2014	**30,180**	**443,564**	**17,922**	**5,110**	**1,564**	**81,656**	**(365,918)**	**33,905**	**247,983**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(46,605)**	**344**	**(46,261)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1,564)**	**(17,128)**	**–**	**(43)**	**(18,735)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,564)**	**(17,128)**	**(46,605)**	**301**	**(64,996)**
Rights issue	**15,090**	**35,613**	**–**	**–**	**–**	**–**	**–**	**–**	**50,703**
Share issue expenses in relation to rights issue	**–**	**(778)**	**–**	**–**	**–**	**–**	**–**	**–**	**(778)**
Subscription of shares	**6,036**	**32,594**	**–**	**–**	**–**	**–**	**–**	**–**	**38,630**
Redemption of the Convertible Bonds and disposal of subsidiaries	**–**	**–**	**(17,922)**	**–**	**–**	**–**	**17,922**	**(33,905)**	**(33,905)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,914**	**4,914**
Capital contribution to a non-wholly owned subsidiary by non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,794**	**3,794**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**69**	**–**	**–**	**(69)**	**–**	**–**
Balance at 31 December 2014	**51,306**	**510,993**	**–**	**5,179**	**–**	**64,528**	**(394,670)**	**9,009**	**246,345**

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

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

The Group ceased its mining activities in the independent sovereign state of Mongolia since November 2010 and completed the disposal of its mining business to the holder of the Company's Convertible Bonds during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2014

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of these amendments has no material impact on the Group's financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 "Property, Plant and Equipment" to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendments to HKAS 1 – Presentation of Financial Statements

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between the requirements in HKFRS 10 and HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Group's financial statements have been prepared in accordance with all applicable HKFRSs, 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.

(b) Basis of measurement

The Group's financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments for the year ended 31 December 2014. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Manufacture and sale of PE pipes
- Transmission and distribution of natural gas

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There was no inter-segment sale or transfer during the year ended 31 December 2014. Central revenue and expenses are not allocated to the operating segments as they are not included the measure of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

For the year ended 31 December 2013, the Group operates in a single segment which is manufacture and sale of PE pipes and trading of composite materials. Accordingly, no separate segment business information is presented.

(a) Reportable segments

For the year ended 31 December 2014

	Manufacture and sale of PE pipes *HK$'000*	Transmission and distribution of natural gas *HK$'000*	Total *HK$'000*
Revenue from external customers	**48,955**	**39,473**	**88,428**
Reportable segment (loss)/profit	**(24,482)**	**1,041**	**(23,441)**
Reportable segment assets	**185,529**	**131,120**	**316,649**
Reportable segment liabilities	**(15,107)**	**(48,418)**	**(63,525)**
Other segment information:			
Interest income			**69**
Loss on disposal of investments held for trading			**(104)**
Fair value gain on investments held for trading			**120**
Share of profit of an associate	**–**	**75**	**75**
Recovery of bad debts	**584**	**–**	**584**
Depreciation	**(12,995)**	**(1,237)**	**(14,232)**
Unallocated depreciation			**(742)**
Total depreciation			**(14,974)**
Amortisation of land use rights	**(767)**	**(4)**	**(771)**
Amortisation of other intangible assets	**–**	**(344)**	**(344)**
Impairment loss on trade receivables	**(4,218)**	**–**	**(4,218)**
Impairment loss on available-for-sale investments			**(3,863)**
Loss on redemption of the Convertible Bonds and disposal of subsidiaries			**(234)**
Finance costs			**(521)**
Additions to non-current assets	**3,268**	**107,542**	**110,810**
Unallocated additions to non-current assets			**145**
Total additions to non-current assets			**110,955**

(b) Reconciliation of reportable segment loss, assets and liabilities

	2014 *HK$'000*
Loss before income tax	
Reportable segment loss	**(23,441)**
Unallocated other income and gains and losses	**(2,704)**
Share of profit of an associate	**75**
Corporate and other unallocated expenses	**(19,610)**
Finance costs	**(521)**
Consolidated loss before income tax	**(46,201)**

	2014 *HK$'000*
Assets	
Reportable segment assets	**316,649**
Interest in an associate	**5,269**
Cash and cash equivalents	**8,708**
Unallocated corporate assets	**42,930**
Consolidated total assets	**373,556**

	2014 HK$'000
Liabilities	
Reportable segment liabilities	**(63,525)**
Deferred tax liabilities	**(8,055)**
Unallocated corporate liabilities	**(55,631)**
Consolidated total liabilities	**(127,211)**

(c) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2014 and 2013 were located in the PRC.

(d) Information about major customers

For the year ended 31 December 2014, revenue from a customer in the transmission and distribution of natural gas segment amounted to HK$12,084,000 contributed to more than 10% of the Group's total revenue.

For the year ended 31 December 2013, revenue from five customers in the manufacture and sale of PE pipes segment amounted to HK$3,713,000, HK$3,508,000, HK$3,318,000, HK$3,318,000 and HK$3,242,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

5. TURNOVER

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

	2014	2013
	HK$'000	*HK$'000*
Sale of PE pipes	**48,955**	29,939
Transmission and distribution of natural gas	**39,473**	–
	88,428	29,939

6. OTHER INCOME AND GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Investment income from unlisted investment funds	**–**	493
Sundry income	**449**	88
Bank interest income	**69**	35
(Loss)/gain on disposal of investments held for trading	**(104)**	475
Recovery of bad debts	**584**	–
Write off of property, plant and equipment	**–**	(94)
Gain on disposal of property, plant and equipment	**235**	–
Fair value gain/(loss) on investments held for trading	**120**	(18)
Exchange gains, net	**859**	–
Loss on redemption of the Convertible Bonds and disposal of subsidiaries	**(234)**	–
Impairment loss on available-for-sale investments	**(3,863)**	–
	(1,885)	979

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on borrowings	**521**	17

8. LOSS BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**88,747**	38,178
(Reversal of write down)/write down of inventories *(Note 14)*	**(524)**	2,626
Write off of inventories	**–**	644
Auditors' remuneration	**1,100**	880
Minimum operating lease payments in respect of land and buildings	**1,749**	2,031
Depreciation of property, plant and equipment		
– Owned	**14,915**	13,737
– Held under finance leases	**59**	–

Note: Depreciation charge included an amount of HK$9,369,000 (2013: HK$8,857,000) recognised as cost of inventories sold for the year.

9. INCOME TAX

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current tax – PRC		
– tax for the year	**63**	–
– under provision in respect of prior years	**–**	33
	63	33
Deferred tax liabilities		
– current year	**(3)**	–
Income tax	**60**	33

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

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

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(46,201)**	(44,545)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2013: 25%)	**(11,550)**	(11,136)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,376**	808
Tax effect of expenses not deductible for taxation purposes	**5,815**	5,244
Tax effect of non-taxable items	**(344)**	(57)
Tax effect of temporary differences not recognised	**86**	15
Tax effect on unused tax losses not recognised	**4,677**	5,126
Under provision in respect of prior years	**–**	33
Income tax for the year	**60**	33

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$13,023,000 (2013: HK$5,662,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 682,946,000 (2013: 543,241,000 as restated) in issue during the year.

The basic and diluted loss per share are calculated as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss:		
Loss for the purposes of basic and diluted loss per share	**46,605**	44,578

	2014	2013
	'000	*'000*
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**682,946**	543,241

The weighted average number of ordinary shares for the purpose of calculation of loss per share for the year ended 31 December 2013 has been adjusted retrospectively for the rights issue of the Company on 4 June 2014.

Diluted loss per share for the years ended 31 December 2014 and 2013 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue in both years.

13. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2014	2013
	HK$'000	*HK$'000*
Salaries and allowances	**15,089**	9,719
Retirement benefit scheme contributions	**861**	414
	15,950	10,133

Staff salaries of HK$1,697,000 (2013: HK$1,741,000) were included in cost of inventories sold for the year.

14. INVENTORIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**7,076**	10,693
Work in progress	**129**	139
Finished goods	**10,971**	8,989
	18,176	19,821

During the year ended 31 December 2013, the Group made a provision of HK$2,626,000 to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of sales for the year (Note 8).

During the year ended 31 December 2014, a provision of HK$524,000 made in prior years against the carrying value of finished goods has been reversed. This reversal arose due to an increase in net realisable value as a result of the sales occurred during the year. The reversal of write down was recognised in cost of inventories sold for the year (Note 8).

15. TRADE RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**77,070**	61,655
Less: Provision for impairment	**(31,368)**	(27,835)
	45,702	33,820

(a) The Group's trading terms from sales of PE pipes and composite materials with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. For the business of transmission and distributions of natural gas, payment in advance is normally required and some customers are on credit terms within 30 days. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

(b) The table below reconciled the provision for impairment loss of trade receivables for the year:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**27,835**	23,060
Impairment loss recognised	**4,218**	4,027
Exchange realignment	**(685)**	748
At 31 December	**31,368**	27,835

At 31 December 2014, the Group's trade receivables of HK$31,368,000 (2013: HK$27,835,000) were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

(c) An aging analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**14,668**	7,260
31 – 60 days	**3,525**	2,193
61 – 90 days	**1,477**	1,263
Over 90 days	**26,032**	23,104
	45,702	33,820

(d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Not past due	**21,131**	12,506
Less than 31 days past due	**9,531**	100
31 – 60 days past due	**3,615**	1,048
61 – 90 days past due	**363**	2,512
Over 90 days but less than 1 year past due	**2,715**	9,893
More than 1 year past due	**8,347**	7,761
	24,571	21,314
	45,702	33,820

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables and deposits	**47,989**	104,375	**–**	85,000
Prepayments	**23,785**	17,639	**221**	223
	71,774	122,014	**221**	85,223
Less: Provision for impairment loss on prepayments	**(10,735)**	(11,006)	**–**	–
	61,039	111,008	**221**	85,223

The balance as at 31 December 2014 mainly included deposits paid to suppliers of HK$2,909,000 (2013: HK$3,596,000), net of provision for impairment loss of HK$10,735,000 (2013: HK$11,006,000). The balance as at 31 December 2013 included payment of HK$85,000,000 to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds.

17. TRADE PAYABLES

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**5,338**	382
31 – 60 days	**3,183**	389
61 – 90 days	**41**	6
Over 90 days	**13,035**	8,878
	21,597	9,655

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Turnover of the Group for the year ended 31 December 2014 increased when compared to the corresponding period in 2013. Such increase was mainly because the Polyethylene pipes ("PE pipes") business has improved and the turnover of the Group for the current period included the turnover of the natural gas business from June 2014. The Board believes that turnover of the Group will be further improved with the new natural gas business and anticipated improvement of the PE pipes business.

The business segment of the PE pipes has been the core business of the Group during the year under review and continued as one of the main businesses of the Group in 2014. The PE pipes are products used for construction and city development in the People's Republic of China (the "PRC"). The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under continue improvement of turnover and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in the first quarter of 2015 and in the long term.

In view of the policy to use clean enengy in the PRC, the prospect of natural gas business is very bright. With the acquisition of Can Guang Petrochemical (Fujian) Co., Ltd.# (燦光石化(福建)有限公司), Ningguo Ruide Natural Gas Company Limited# (寧國瑞德天然氣有限公司) and the formation of China Primary Blueprint (Shenzhen) Energy Limited# (中基藍印(深圳)能源有限公司) in the year 2014, the natural gas business is heading the right direction and likely to become one of the major businesses of the Group.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value. Below are some of the new investment projects and corporate actions of the Company in 2014.

Deed of Settlement and disposal of subsidiaries

On 31 October 2007, the Company issued to Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (the "Bondholder") the then 4.5% convertible bonds of the Company in the principal amount of approximately HK$246 million (the "Bonds") which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the joint and several liquidators of Lehman Brothers (the "Liquidators") entered into the original agreement (the "Original Deed of Settlement") to set out the terms for the redemption of the Bonds. Details of the Original Deed of Settlement were set out in the announcement of the Company dated 27 September 2010 and the circular of the Company dated 11 October 2010. On 27 October 2010, the Original Deed of Settlement was approved by the Shareholders. Pursuant to the Original Deed of Settlement, the redemption of the Bonds is subject to fulfillment of certain conditions including but not limited to the transfer of the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder and the payment of an aggregate amount of HK$85 million.

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping"), a company incorporated in the British Virgin Islands ("BVI") with limited liability (being the holder of the 70% equity interest in ARIA LLC, a company incorporated in Mongolia with limited liability ("ARIA")), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder elected to receive a transfer of the 70% equity interest in ARIA. To the best knowledge of the Directors, the registration of the ARIA Transfer could not be completed without a new joint venture agreement between a new shareholder and Selenge Mining LLC, a company organized and existing under the laws of Mongolia (the "Minority Shareholder"), having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the Minority Shareholder, it is unpredictable when a new joint venture agreement can be agreed and signed.

Therefore, after negotiations with the Bondholder and the Liquidators, the Company entered into a supplemental deed on 15 January 2014 (the "Supplemental Deed") with the Bondholder and the Liquidators, pursuant to which the Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consent required for the ARIA Transfer in Mongolia as Zhong Ping is a BVI company and was wholly-owned by the Company.

Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agreed to pay a total of approximately HK$122,000,000 and to transfer the Sale Interest (which is classified as assets held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds. The long-stop date has been extended several times to allow more time for the transfer of the Sale Interest.

Finally, all conditions of the redemption of the Bonds have been fulfilled pursuant to the Amended Deed of Settlement and redemption of the Bonds was completed on 16 October 2014. Accordingly, the Bonds have been sent to the registrar for cancellation and no Bonds remain outstanding.

Details are set out in the announcements dated 27 September 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013, 31 October 2013, 29 November 2013, 30 December 2013, 15 January 2014, 29 April 2014, 23 May 2014, 20 June 2014, 17 July 2014, 21 August 2014, 29 September 2014 and 16 October 2014 and the circulars dated 11 October 2010 and 12 March 2014 of the Company.

Loan Agreement

Taking into account the financial position of the Company, the Company has entered into a loan agreement (the "Loan Agreement") with Excel Sino Investments Limited (the "Lender"), an independent third party, to finance the payment of the non-refundable deposit in the sum of HK$6 million (the "Deposit") and the amount in HK$ that is equal to the HK$ equivalent of RMB24,000,000 (the "Fourth Payment Amount"). On 15 January 2014, the Company (as borrower) and the Lender entered into the Loan Agreement, pursuant to which the Lender agreed to provide loans up to HK$38.0 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

Details are set out in the announcement dated 15 January 2014 and the circular dated 12 March 2014 of the Company.

As disclosed in the section headed "Subscription of new shares" below, all outstanding loan amount was repaid and converted into Shares on 15 September 2014.

The Discloseable Transaction – Acquisition of 70% registered capital of a natural gas company established in the PRC

On 10 April 2014, China Primary Energy (Shenzhen) Limited# (中基能源(深圳)有限公司) ("China Primary Energy (Shenzhen)"), a wholly-owned subsidiary of the Company which is established in the PRC, as the purchaser, Shenzhen Xin He Enterprise Management Consulting Co., Ltd.# (深圳鑫河企業管理諮詢有限公司), as the vendor (the "Vendor") and Zou Shuyan# (鄒淑豔) and Xu Haijun# (徐海軍), as the guarantors entered into the sale and purchase agreement (the "SP Agreement") pursuant to which China Primary Energy (Shenzhen) conditionally agreed to acquire (the "Acquisition") and the Vendor conditionally agreed to sell 70% of the registered capital of Fujian China Primary Energy Limited# (福建中基能源有限公司) (formerly known as Can Guang Petrochemical (Fujian) Co., Ltd.# (燦光石化(福建)有限公司)) ("Fujian China Primary"), a company established in the PRC and the assigned debt (all obligations, liabilities and debts owing or incurred by Fujian China Primary to the Vendor on or at any time prior to the completion of the SP Agreement (the "Completion") whether actual, contingent or deferred or irrespective of whether or not the same is due and payable on completion, which will be assigned to China Primary Energy (Shenzhen) upon Completion which as at 31 December 2013 amounted to RMB3.5 million) at the consideration of RMB23.5 million (equivalent to approximately HK$29.7 million).

Based in Fujian Province and currently expanding in the PRC, Fujian China Primary and its subsidiaries (the "Fujian China Primary Group") are principally engaged in the supply of the natural gas to the customers for industrial, commercial and household uses through sourcing of the natural gas from the upstream suppliers including but not limited to state-owned enterprises.

The scope of the Fujian China Primary Group's business includes transmission and distribution of the natural gas. The main business operations of the Fujian China Primary Group is located in areas including Zhangzhou, Fuzhou, Ningde and Nanping, the PRC. The Fujian China Primary Group has built up its customer base in these areas for the supply of the natural gas.

Details are set out in the announcement of the Company dated 10 April 2014.

The Acquisition was completed and Fujian China Primary became the non wholly-owned subsidiary of the Company on 9 June 2014.

Rights Issue

The issue by way of rights of 241,440,492 rights shares (the "Rights Share(s)") in the proportion of one Rights Share for every two shares at a price of HK$0.21 per Rights Share (the "Rights Issue") was duly completed on 5 June 2014. Total net proceeds of approximately HK$49 million was received and the Company intends to apply the net proceeds from the Rights Issue (i) as to about 60% thereof for the funding and further development of the Group's existing and future businesses, including but not limited to, the financing of possible acquisition and investment opportunities; and (ii) as to about 40% thereof as the general working capital of the Group. Pursuant to the announcement of the Company dated 10 April 2014, the Company was contemplating an acquisition of Fujian China Primary which is principally engaged in natural gas business and the expected consideration for such acquisition is approximately HK$29.7 million, which is about 60% of the net proceeds.

Pursuant to underwriting agreement dated 11 April 2014 entered into between Ms. Ma Zheng, executive director and chairman of the Company (as underwriter), and the Company in relation to the Rights Issue, Ms. Ma Zheng has taken up her provisional allotment of an aggregate of 121,837,581 Rights Shares under the Rights Issue in full. Ms. Ma Zheng has also made an application for 30,000,000 excess Rights Shares and has acquired from the market an additional 3,280,000 Rights Shares. The excess Rights Shares allocated to Ms. Ma Zheng was 1,488,889 Rights Shares, being approximately 4.96% of 30,000,000 excess Rights Shares. As a result, the number of Shares held by Ms. Ma Zheng immediately after the Rights Issue is 370,281,632 Shares.

Details are set out in the announcements dated 11 April 2014 and 4 June 2014 and the Prospectus dated 12 May 2014 of the Company.

The Discloseable Transaction – Finance Lease Agreements

On 31 July 2014, Fujian China Primary (the "Lessee"), as a lessee, entered into the finance lease agreements (together the equipment finance lease agreement and the transportation vehicle finance lease agreement) with CIMC Financing and Leasing Co., Ltd.# (中集融資租賃有限公司), an independent third party (the "Lessor"), as a lessor, pursuant to which the Lessor agreed to purchase various machinery and equipment in relation to the supply of the natural gas and one low-temperature liquid transportation vehicle specializing in the transportation of the natural gas (the "Leasing Equipment and Transportation Vehicle") from suppliers or manufacturers at the request of the Lessee and then the Lessor shall lease the Leasing Equipment and Transportation Vehicle to the Lessee for a period of 36 months commencing from the date of delivery of the leasing equipment or the leasing transportation vehicle, as the case maybe. The total lease payments payable under the finance lease agreements is approximately RMB13,841,164.

The Company has provided guarantee in favour of the Lessor for, including but not limited to, unpaid deposit, unpaid lease payment, compensation, handling charge, default interest or other payables by the Lessee relating to the finance lease agreements.

Details are set out in the announcement of the Company dated 31 July 2014.

The Discloseable Transaction – Proposed formation of a joint venture company

On 13 August 2014, a joint venture agreement was entered into between China Primary Energy (Shenzhen) and Shenzhen City Tianyin Investment Company Limited# (深圳市天印投資有限公司) ("Tianyin Investment") in relation to the formation of China Primary Blueprint (Shenzhen) Energy Limited# (中基藍印(深圳)能源有限公司) (originally proposed to be named as Shenzhen China Primary Tianyin Energy Company Limited#) ("Shenzhen JV"), a limited liability company to be established in Shenzhen City, Guangdong Province, the PRC.

The expected registered capital of Shenzhen JV will be RMB50,000,000 and will be contributed as to RMB27,500,000 by China Primary Energy (Shenzhen) in cash and as to RMB22,500,000 by Tianyin Investment in cash. Upon establishment, Shenzhen JV will become an indirect non wholly-owned subsidiary of the Company.

Details are set out in the announcement of the Company dated 13 August 2014.

Subscription of new shares

On 4 September 2014, the Company entered into the subscription agreement (the "Subscription Agreement 1") with Excel Sino Investments Limited (the "Subscriber 1"), pursuant to which the Subscriber 1 has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 96,576,196 new Shares (the "Subscription Share(s)") at the subscription price of HK$0.40 per Subscription Share (the "Subscription").

Reference is also made to the announcement of the Company dated 15 January 2014, the Company and the Subscriber 1 entered into of the Loan Agreement pursuant to which the Subscriber 1 would advance loan of up to HK$38,000,000 to the Company. As at 15 January 2014, the outstanding sum owed by the Company to the Subscriber 1 amounted to approximately HK$7,312,794.52.

By entering into the Subscription Agreement 1, the Group can obtain equity fund to repay the Bonds instead of loan financing. As such, the finance cost can be reduced. Furthermore, the Subscription will broaden the shareholder base of the Company.

The gross proceeds of the Subscription were approximately HK$38.6 million.

After the set off of the loan owed by the Company to the Subscriber 1 under the Loan Agreement, the remaining net proceeds of the Subscription of approximately HK$31 million has been used to repay the Bonds owed by the Company to the Bondholder.

The completion of the Subscription has taken place on 15 September 2014 pursuant to the terms of the Subscription Agreement 1 and all the 96,576,196 Subscription Shares have been issued and allotted to the Subscriber 1 in accordance with the terms and conditions of the Subscription Agreement 1.

Details are set out in the announcements of the Company dated 4 September 2014 and 15 September 2014.

Entering into of cooperation agreement with Tengchong Government in relation to natural gas project

On 22 September 2014, the Company has entered into the cooperation agreement (the "Cooperation Agreement") with the Tengchong County People's Government (the "Tengchong Government") in relation to the natural gas utilization engineering project (the "Natural Gas Project").

Pursuant to the Cooperation Agreement, the Company will invest to set up a project company (the "Project Company") in Tengchong County, Yunnan Province, the PRC for the Natural Gas Project. The Natural Gas Project will be an engineering project involving the utilization of natural gas in Tengchong Economic Development Zone.

Tengchong Government will grant a license to the Project Company to operate natural gas business in Tengchong Economic Development Zone for a term of 30 years. Tengchong Government has also on the same date of the Cooperation Agreement entered into of a license agreement to grant a license to the Company to operate natural gas business in Tengchong Economic Development Zone for a term of 30 years.

Details are set out in the announcement of the Company dated 22 September 2014.

Change of the Company name

On 9 October 2014, the Board proposed to change the English name of the Company from "China Primary Resources Holdings Limited" to "China Primary Energy Holdings Limited" and the Chinese name of the Company from "中國基礎資源控股有限公司" to "中國基礎能源控股有限公司", subject to the following conditions:

1. the passing of a special resolution by the Shareholders at the extraordinary general meeting of the Company held on 18 November 2014 to approve the change of the Company name; and

2. (if required), the Registrar of Companies in the Cayman Islands approving the change of the Company name.

Due to increased investments in the energy sector in 2014 and with further development and expansion of the business of the Group, the Board considers that the proposed change of the Company name will reflect the future emphasis of the Group in energy related business and the business nature of the Company. In addition, the new name can also refresh the Company's corporate image and identity.

Details are set out in the announcements dated 9 October 2014 and 15 December 2014 and the circular dated 23 October 2014 of the Company.

The Discloseable Transaction – Proposed acquisition of the entire registered capital of a natural gas company established in Ningguo City, the PRC

On 13 October 2014, China Primary Energy (Shenzhen), as the purchaser, entered into the acquisition agreement with Hande Investments Company Limited# (漢德投資有限責任公司), as the vendor, to acquire the entire registered capital of Ningguo Ruide Natural Gas Company Limited# (寧國瑞德天然氣有限公司) ("Ningguo Ruide"), for a total consideration of RMB30,000,000 (subject to adjustments).

Upon completion, Ningguo Ruide has become an indirect wholly-owned subsidiary of the Company.

Ningguo Ruide is a company established in Ningguo City, the PRC in 2008 and is principally engaged in the natural gas business in the PRC. The registered capital of Ningguo Ruide is RMB10,000,000, which has been fully paid. Ningguo Ruide holds a gas operation license to operate natural gas business within Ningguo City Economic & Technological Development Zone.

Details are set out in the announcement of the Company dated 13 October 2014.

The Discloseable Transaction – Proposed acquisition of 75% registered capital of a natural gas company established in Wuhu City, Anhui Province, the PRC

On 17 December 2014, China Primary Energy (Shenzhen), as the purchaser, has entered into the acquisition agreement with Mr. Shi Linghang (史領航先生), as the vendor, to acquire 75% registered capital of Wuhu Shengyuteng Natural Gas Pipeline Company Limited# (蕪湖盛譽騰天然氣管道有限公司) ("Wuhu Shengyuteng"), for a total consideration of RMB37,500,000.

After completion, Wuhu Shengyuteng will become an indirectly non wholly-owned subsidiary of the Company.

Wuhu Shengyuteng is a company established in Wuhu City, Anhui Province, the PRC and is principally based in Anhui Province, the PRC and is in the course of development and expansion. The principal activities of Wuhu Shengyuteng include natural gas transport and pipeline construction, management and related products and services. The registered capital of Wuhu Shengyuteng is RMB50,000,000.

Details are set out in the announcement of the Company dated 17 December 2014.

Bank Loan Facility

On 30 December 2014, China Primary Energy (Shenzhen) (the "Borrower"), as borrower has entered into a loan agreement dated 30 December 2014 with the Bank of China Limited, Shenzhen City Branch (the "Bank"), whereby the Bank has agreed to advance to the Borrower a loan facility of RMB16,000,000 (the "Loan") for the purpose of general working capital for a term of nine months. Each of Ms. Ma Zheng, the Chairman of the Company and the Company have also executed a guarantee in favour of the Bank to secure the obligations of the Borrower under the Loan on 30 December 2014 and 31 December 2014, respectively.

Details are set out in the announcement of the Company dated 31 December 2014.

Proposed issue of the Convertible Bonds

On 17 February 2015, the Company entered into the conditional subscription agreement (the "Subscription Agreement 2") with Golden Peak Minerals Limited (the "Subscriber 2"), pursuant to which the Subscriber 2 has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK$60,000,000 (the "Convertible Bonds").

Based on the initial conversion price of HK$1.0 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Shares") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 7.31% of the issued share capital of the Company as at the date of the Subscription Agreement 2; and (ii) approximately 6.81% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The net proceeds of the subscription of approximately HK$59,400,000 will be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and working capital of the Group.

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

The Conversion Price is initially HK$1.0 per Conversion Share, subject to adjustment for subdivision or consolidation of Shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Details are set out in the announcement dated 17 February 2015 and the circular dated 11 March 2015 of the Company.

FINANCIAL REVIEW

Turnover was approximately HK$88,428,000 for the year ended 31 December 2014, which represented an increase of approximately 195.4% when compared with last year's turnover of approximately HK$29,939,000. The Board believes that turnover of the Group will be further improved with the new natural gas business and anticipated improvement of the PE pipes business.

During the year under review, audited loss before income tax was approximately HK$46,201,000 (2013: loss of approximately HK$44,545,000). The loss attributable to owners of the Company was approximately HK$46,605,000 (2013: loss of approximately HK$44,578,000). 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

The business of production and sale of the PE pipes were not performing well in the year 2014. However, the Board believes that this business segment will start to grow and perform much better in the year 2015 onwards. The Group has been building an effective sales team to explore new markets and identify more customers for its PE pipes products. Moreover, there are going to be many new customers in 2015 which will definitely improve the PE pipes business of the Group.

Most important, the natural gas businesses acquired are all under operations and thus the natural gas business will fully contribute both result and cash flow to the Group in 2015. As such, the Group will be expanded through the natural gas business and PE pipes business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, net assets of the Group were approximately HK$246,345,000 (2013: approximately HK$247,983,000) while its total assets were approximately HK$373,556,000 (2013: approximately HK$550,965,000) including cash and bank balances of approximately HK$8,708,000 (2013: approximately HK$20,934,000).

FUNDING ACTIVITIES DURING THE YEAR

Other than the Rights Issue and Subscription mentioned above, the Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2014, current assets of the Group amounted to approximately HK$134,157,000 which included cash of approximately HK$2,425,000 and RMB5,030,000, while current liabilities stood at approximately HK$118,458,000 which included borrowings of HK$37,479,000. Equity attributable to owners of the Company amounted to approximately HK$237,336,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 12.12% (borrowings less cash balances to equity attributable to owners of the Company) as of 31 December 2014.

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 the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated appreciation of RMB, the Group's foreign currency exposure was minimal for the year 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.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

Save as disclosed above, as at 31 December 2014, the Group did not have any significant contingent liabilities and no assets of the Group were pledged.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the financial statements.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. As at 31 December 2014, the issued share capital of the Company was made up of 820,897,672 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had not made any significant investment for the year ended 31 December 2014.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 6 full-time employees working in Hong Kong and 277 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$17,647,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year under review, the Audit Committee chaired by Mr. Wan Tze Fan Terence, comprises two other members, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, who are the independent non-executive directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2014, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2014 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditors, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2014. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2014.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2014 (the "Code") contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

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.

For the year 2014, we still did not have an officer with the title of "Chief Executive". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of the Company's production plant in Yichang City. This constitutes a deviation of Code Provision A.2.1. The Board 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 an 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 the non-executive directors should be appointed for a specific term, subject to re-election.

During the year under review, the Company has three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing.

Except for 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 any 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.

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

Hong Kong, 24 March 2015

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

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

This announcement will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at http://www.hkgem.com for at least 7 days from the date of its publication and on the Company's designated website at http://china-p-energy.etnet.com.hk.