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 2015

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

Revenue was approximately HK$162,432,000 for the year ended 31 December 2015 (2014: approximately HK$88,428,000), representing an increase of approximately 83.7%.

Loss attributable to owners of the Company amounted to approximately HK$91,321,000 (2014: loss of approximately HK$46,605,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: 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 2015 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 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
Revenue	5	**162,432**	88,428
Other income and gains and losses	6	**(18,736)**	(1,885)
Cost of sales		**(134,977)**	(88,223)
Staff costs, including directors' remuneration	12	**(32,077)**	(15,950)
Depreciation		**(8,069)**	(5,605)
Amortisation of land use rights		**(771)**	(771)
Amortisation of other intangible assets		**(1,425)**	(344)
Impairment loss on trade receivables		**(4,258)**	(4,218)
Impairment loss on other receivables		**(1,002)**	–
Impairment loss on property, plant and equipment		**(20,000)**	–
Other operating expenses		**(28,212)**	(17,187)
Share of profits of associates		**291**	75
Finance costs	7	**(3,176)**	(521)
Loss before income tax	8	**(89,980)**	(46,201)
Income tax	9	**(1,099)**	(60)
Loss for the year		**(91,079)**	(46,261)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
– Changes in fair value		**–**	(5,427)
– Impairment loss recognised in profit or loss		**–**	3,863
		–	(1,564)

	Note	2015 HK$'000	2014 HK$'000
Exchange differences on translation of foreign operations		**(21,038)**	(7,382)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**–**	(9,809)
Share of other comprehensive income of associates		**(194)**	20
Other comprehensive income for the year		**(21,232)**	(18,735)
Total comprehensive income for the year		**(112,311)**	(64,996)
(Loss)/profit attributable to:			
Owners of the Company		**(91,321)**	(46,605)
Non-controlling interests		**242**	344
		(91,079)	(46,261)
Total comprehensive income attributable to:			
Owners of the Company		**(111,768)**	(65,297)
Non-controlling interests		**(543)**	301
		(112,311)	(64,996)
Basic and diluted loss per share (HK$)	11	**(0.104)**	(0.068)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**224,751**	151,224
Land use rights		**30,397**	32,570
Goodwill		**32,814**	24,660
Other intangible assets		**23,086**	25,643
Interests in associates		**6,509**	5,269
Prepayments	15	**19,093**	–
Available-for-sale investments		**33**	33
Total non-current assets		**336,683**	239,399
Current assets			
Inventories	13	**9,007**	18,176
Trade receivables	14	**69,571**	45,702
Other receivables, deposits and prepayments	15	**70,659**	61,039
Amounts due from associates		**380**	410
Investments held for trading		**6**	122
Financial assets at fair value through profit or loss		**1,672**	–
Cash and cash equivalents		**62,263**	8,708
Total current assets		**213,558**	134,157
Total assets		**550,241**	373,556
Current liabilities			
Trade payables	16	**31,543**	21,597
Other payables and accruals		**63,081**	58,570
Customers' deposits		**3,776**	507
Obligations under finance leases		**4,963**	305
Borrowings		**1,790**	37,479
Tax payable		**227**	–
Total current liabilities		**105,380**	118,458
Net current assets		**108,178**	15,699

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**7,449**	8,055
Obligations under finance leases	**9,387**	698
Borrowings	**39,976**	–
Total non-current liabilities	**56,812**	8,753
Total liabilities	**162,192**	127,211
NET ASSETS	**388,049**	246,345
Equity		
Share capital	**58,181**	51,306
Reserves	**308,512**	186,030
Equity attributable to owners of the Company	**366,693**	237,336
Non-controlling interests	**21,356**	9,009
TOTAL EQUITY	**388,049**	246,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Convertible bonds equity reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Share option reserve	Accumulated losses	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance 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 Old 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 and at 1 January 2015	**51,306**	**510,993**	**–**	**5,179**	**–**	**64,528**	**–**	**(394,670)**	**9,009**	**246,345**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91,321)**	**242**	**(91,079)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(20,447)**	**–**	**–**	**(785)**	**(21,232)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(20,447)**	**–**	**(91,321)**	**(543)**	**(112,311)**
Subscription of shares	**6,875**	**146,025**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**152,900**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**–**	**8,046**	**–**	**–**	**8,046**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(70)**	**70**	**–**	**–**
Issue of Convertible Bonds	**–**	**–**	**80,179**	**–**	**–**	**–**	**–**	**–**	**–**	**80,179**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**61**	**–**	**–**	**–**	**(61)**	**–**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,890**	**12,890**
Balance at 31 December 2015	**58,181**	**657,018**	**80,179**	**5,240**	**–**	**44,081**	**7,976**	**(485,982)**	**21,356**	**388,049**

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 ended 31 December 2014.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2015

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.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle issued in January 2014 set out amendments to a number of HKFRSs. Details of the amendments that are relevant to the Group's operations and effective for the current year are as follows:

Annual Improvements 2010-2012 Cycle

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e. an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact to the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the Company has adopted the amendments to the Rules Governing the Listing Securities on the GEM of the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

(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 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instrument[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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 ("FVTOCI") 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 FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 FVTPL, 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.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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-step 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. The Group has so far concluded that the application of these new pronouncement will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out in the Group's financial statements.

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 years ended 31 December 2015 and 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 years ended 31 December 2015 and 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.

(a) Reportable segments

For the year ended 31 December 2015

	Manufacture and sale of PE pipes *HK$'000*	Transmission and distribution of natural gas *HK$'000*	Total *HK$'000*
Revenue from external customers	**51,538**	**110,894**	**162,432**
Reportable segment (loss)/profit	**(33,948)**	**2,279**	**(31,669)**
Reportable segment assets	**170,254**	**243,146**	**413,400**
Reportable segment liabilities	**(16,928)**	**(88,151)**	**(105,079)**
Other segment information:			
Bank interest income	**19**	**24**	**43**
Unallocated			**78**
Total bank interest income			**121**
Loss on disposal of investments held for trading			**(1,019)**
Fair value loss on investments held for trading			**(30)**
Share of (loss)/profit of associates	**(406)**	**697**	**291**
Depreciation	**(12,421)**	**(7,622)**	**(20,043)**
Unallocated			**(587)**
Total depreciation			**(20,630)**
Amortisation of land use rights	**(733)**	**(38)**	**(771)**
Amortisation of other intangible assets	**–**	**(1,425)**	**(1,425)**
Impairment loss on trade receivables	**(4,258)**	**–**	**(4,258)**
Impairment loss on other receivables	**(1,002)**	**–**	**(1,002)**
Impairment loss on property, plant and equipment	**(20,000)**	**–**	**(20,000)**
Interests in associates	**71**	**6,438**	**6,509**
Additions to non-current assets	**852**	**125,492**	**126,344**
Unallocated			**8,120**
Total additions to non-current assets			**134,464**

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)	1,116	(23,366)
Reportable segment assets	185,529	136,389	321,918
Reportable segment liabilities	(15,107)	(48,418)	(63,525)
Other segment information:			
Bank 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			(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 the Redemption and Disposal			(234)
Interest in an associate	–	5,269	5,269
Additions to non-current assets	3,268	107,542	110,810
Unallocated			145
Total additions to non-current assets			110,955

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

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(31,669)**	(23,366)
Unallocated other income and gains and losses	**(19,504)**	(2,704)
Corporate and other unallocated expenses	**(35,631)**	(19,610)
Finance costs	**(3,176)**	(521)
Consolidated loss before income tax	**(89,980)**	(46,201)

	2015	2014
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**413,400**	321,918
Cash and cash equivalents	**62,263**	8,708
Unallocated corporate assets	**74,578**	42,930
Consolidated total assets	**550,241**	373,556

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(105,079)**	(63,525)
Deferred tax liabilities	**(7,449)**	(8,055)
Unallocated corporate liabiltiies	**(49,664)**	(55,631)
Consolidated total liabilities	**(162,192)**	(127,211)

(c) **Geographical information**

All operating assets and operations of the Group during the years ended 31 December 2015 and 2014 were located in the PRC.

(d) **Information about major customers**

For the year ended 31 December 2015, revenue from a customer in the transmission and distribution of natural gas segment amounted to HK$20,408,000 (2014: HK$12,084,000) and contributed to more than 10% of the Group's total revenue.

5. REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
Sales of PE pipes	**51,538**	48,955
Transmission and distribution of natural gas	**110,894**	39,473
	162,432	88,428

6. OTHER INCOME AND GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Sundry income	**1,048**	449
Bank interest income	**121**	69
Loss on disposal of investments held for trading	**(1,019)**	(104)
Recovery of bad debts	**–**	584
Write off of property, plant and equipment	**(181)**	–
Gain on disposal of property, plant and equipment	**33**	235
Fair value (loss)/gain on investments held for trading	**(30)**	120
Change in fair value of financial assets at fair value through profit or loss	**(18,708)**	–
Exchange gains, net	**–**	859
Loss on the Redemption and Disposal	**–**	(234)
Impairment loss on available-for-sale investments	**–**	(3,863)
	(18,736)	(1,885)

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**2,796**	521
Finance lease interest	**380**	–
	3,176	521

8. LOSS BEFORE INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**132,245**	88,747
Write down/(reversal of write down) of inventories	**2,732**	(524)
Auditors' remuneration	**1,280**	1,100
Minimum operating lease payments in respect of land and buildings	**3,798**	1,749
Depreciation of property, plant and equipment		
– Owned	**20,199**	14,915
– Held under finance leases	**431**	59

Note: Depreciation charge included an amount of HK$13,620,000 (2014: HK$9,369,000) recognised as cost of inventories sold for the year.

9. INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Current tax – PRC		
– tax for the year	**1,074**	63
–under provision in respect of prior years	**58**	–
	1,132	63
Deferred tax liabilities		
– current year	**(33)**	(3)
Income tax	**1,099**	60

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 Company'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:

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(89,980)**	(46,201)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2014: 25%)	**(22,495)**	(11,550)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,301**	1,376
Tax effect of expenses not deductible for taxation purposes	**15,574**	5,815
Tax effect of non-taxable items	**(250)**	(344)
Tax effect of temporary differences not recognised	**–**	86
Tax effect on unused tax losses not recognised	**6,911**	4,677
Under provision in respect of prior years	**58**	–
Income tax for the year	**1,099**	60

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

11. 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 of HK$91,321,000 (2014: HK$46,605,000), and the weighted average number of ordinary shares of 878,459,000 (2014: 682,946,000) in issue during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the year ended 31 December 2015.

Diluted loss per share for the year ended 31 December 2014 was the same as the basic loss per share as there were no dilutive potential ordinary shares in issue in that year.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2015	2014
	HK$'000	*HK$'000*
Salaries and allowances	**21,432**	15,089
Retirement benefit scheme contributions	**2,599**	861
Equity-settled share-based payment expenses	**8,046**	–
	32,077	15,950

Staff salaries of HK$2,059,000 (2014: HK$1,697,000) were included in cost of inventories sold for the year.

13. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**6,469**	7,076
Work in progress	**325**	129
Finished goods	**2,213**	10,971
	9,007	18,176

During the year ended 31 December 2015, the Group made a provision of HK2,732,000 to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of inventories sold 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 had been reversed. This reversal arose due to an increase in net realisable value as a result of the sales occurred during last year. The reversal of write down was recognised in cost of inventories sold for last year (Note 8).

14. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**103,791**	77,070
Less: Provision for impairment	**(34,220)**	(31,368)
	69,571	45,702

(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 distribution 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:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**31,368**	27,835
Impairment loss recognised	**4,258**	4,218
Exchange realignment	**(1,406)**	(685)
At 31 December	**34,220**	31,368

At 31 December 2015, the Group's trade receivables of HK$34,220,000 (2014: HK$31,368,000 were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**25,604**	14,668
31 – 60 days	**4,582**	3,525
61 – 90 days	**2,901**	1,477
Over 90 days	**36,484**	26,032
	69,571	45,702

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

	2015	2014
	HK$'000	*HK$'000*
Not past due	**52,902**	21,131
Less than 31 days past due	**4,531**	9,531
31 – 60 days past due	**755**	3,615
61 – 90 days past due	**630**	363
Over 90 days but less than 1 year past due	**1,498**	2,715
More than 1 year past due	**9,255**	8,347
	16,669	24,571
	69,571	45,702

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.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
Prepayments *(Note)*	**19,093**	–
Current assets		
Other receivables and deposits	**42,709**	47,989
Prepayments	**39,206**	23,785
	81,915	71,774
Less: Provision for impairment loss on other receivables and prepayments	**(11,256)**	(10,735)
	70,659	61,039

The below table reconciled the provision for impairment loss on other receivables and prepayments for the year:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**10,735**	11,006
Impairment loss recognised	**1,002**	–
Exchange realignment	**(481)**	(271)
At 31 December	**11,256**	10,735

Note: During the year, the Group made prepayments of HK$19,093,000 to a third party for purchases of items of property, plant and equipment for the natural gas business.

16. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**8,536**	5,338
31 – 60 days	**4,092**	3,183
61 – 90 days	**3,528**	41
Over 90 days	**15,387**	13,035
	31,543	21,597

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Revenue of the Group for the year ended 31 December 2015 increased when compared to the corresponding period in 2014. Such significant increase was because the revenue of the Polyethylene pipes ("PE pipes") business was sustained and 2015 was the first whole year to incorporate the revenue of the natural gas business. In 2015, the natural gas business contributed significant revenue to the Group. The board of directors (the "Board") believes that revenue of the Group will be further improved with the development of the natural gas business and anticipated improvement of the PE pipes business. Therefore, the results of the Group will be improved accordingly.

The business segment of the PE pipes has been the core business of the Group in previous years and continued as one of the main businesses of the Group in 2015. The PE pipes include both water pipes and gas pipes. They 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. In the last quarter of 2015, we began to sell to government related bodies and customers in a new market – Shenzhen. Shenzhen market will become a very important market of the Group. With the anticipated higher revenue under continuous improvement of revenue and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in 2016 and in the long term.

Operation of the natural gas business segment was on the right track in 2015. In view of the PRC government has implemented the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. Besides the natural gas companies acquired in 2014, the acquisition of Wuhu Shengyuteng Natural Gas Pipeline Company Limited was completed in the third quarter of 2015. As a result of various acquisitions and investments, the Group operated the natural gas business in various areas and provinces in the PRC. Our customers include industrial customers and domestic customers. The Group is of the view that the natural gas business is still growing and will become the most significant business of the Group in the near future.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

Issue of the Convertible Bonds

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

Based on the initial conversion price of HK$1.00 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Share(s)") has been allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represented: (i) approximately 7.31% of the issued share capital of the Company as at the date of the CB Subscription Agreement; and (ii) approximately 6.81% of the issued share capital of the Company as at the date of completion 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$1.00 per Conversion Share, subject to adjustment for subdivision or consolidation of shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company.

The Convertible Bonds were issued on 8 May 2015.

Grant of share options

The share option scheme (the "Share Option Scheme") was adopted by way of the shareholders' (the "Shareholders") resolution of the Company on 8 May 2012. On 18 November 2014, the scheme mandate limit was refreshed to 82,089,767 shares, being 10% of the issued share capital of the Company as at 18 November 2014.

On 10 April 2015, the Board had resolved to grant share options to certain individuals to subscribe for a total of 81,720,000 ordinary shares of HK$0.0625 each (with exercise price of HK$0.87 per share) in the share capital of the Company under the Share Option Scheme.

Details are set out in the announcement dated 10 April 2015 of the Company.

Subscription of new shares

On 9 June 2015, the Company entered into the subscription agreement (the "Shares Subscription Agreement") with Ultra Vantage Holdings Limited (the "Shares Subscriber"), pursuant to which the Shares Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 110,000,000 new Shares (the "Subscription Share(s)") at the subscription price of HK$1.39 per Subscription Share (the "Shares Subscription").

The subscription price of HK$1.39 per Subscription Share represented a discount of approximately 11.46% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on 9 June 2015, being the date of the Shares Subscription Agreement.

By entering into the Shares Subscription Agreement, the Group can enhance its working capital and strengthen the assets and financial position for future development and operation of the Group. Furthermore, the Shares Subscription will bring in new shareholder and will broaden the shareholder base of the Company.

The gross proceeds of the Shares Subscription are approximately HK$152.9 million.

The completion of the Shares Subscription has taken place on 24 June 2015 pursuant to the terms of the Shares Subscription Agreement and all the 110,000,000 Subscription Shares have been issued and allotted to the Shares Subscriber in accordance with the terms and conditions of the Shares Subscription Agreement.

Details are set out in the announcements dated 9 June 2015 and 24 June 2015 of the Company.

Bank Loan

On 2 November 2015, China Primary Energy (Shenzhen) Limited, a wholly-owned subsidiary of the Company (the "Borrower"), as borrower has entered into a loan agreement with China Construction Bank Corporation Limited – Shenzhen City Branch (the "Bank"), whereby the Bank has agreed to advance to the Borrower a medium term loan of RMB37,500,000 (the "Bank Loan") for a term of five years. The Bank Loan is secured by the shareholdings of two subsidiaries of the Company and certain properties of a director and a director's family member. Each of Ms. Ma Zheng, the Chairman of the Company, and the Company has also executed a guarantee in favour of the Bank to secure the obligations of the Borrower under the Bank Loan.

FINANCIAL REVIEW

Revenue was approximately HK$162,432,000 for the year ended 31 December 2015, which represented an increase of approximately 83.7% when compared with last year's revenue of approximately HK$88,428,000. The Board believes that revenue of the Group will be further improved with the growing of the natural gas business and anticipated improvement of the manufacturing business.

During the year under review, audited loss before income tax was approximately HK$89,980,000 (2014: loss of approximately HK$46,201,000). The loss attributable to owners of the Company was approximately HK$91,321,000 (2014: loss of approximately HK$46,605,000). Significant loss is mainly due to change in fair value of financial assets of approximately HK$19,000,000 in relation to the Convertible Bonds and impairment of HK$20,000,000 on property, plant and equipment of the PE pipes business. 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 2016 onwards, the Board is optimistic that the Group will perform much better with the current two major segments – the energy segment and the manufacturing segment. Currently, the energy segment mainly consists of the natural gas business. With the completion of acquisition of the natural gas company in Wuhu city in 2015, the Group has developed a strong natural gas sales network. 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. Significant revenue will be contributed by the natural gas business. The energy segment will become the core business segment of the Group in the near future.

The PE pipes business of the manufacturing segment will continue to improve in 2016. The management is exploring new markets and improving the factory capacity and effectiveness. With the entrance of the Shenzhen market mentioned before, both revenue and gross profit will be increased and the Directors are optimistic on the prospects of PE pipes market. On the other hand, fibre reinforced plastic products have been launched to the market and is heading for the growth stage. As a result, the manufacturing segment will definitely perform much better.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, net assets of the Group were approximately HK$388,049,000 (2014: approximately HK$246,345,000) while its total assets were approximately HK$550,241,000 (2014: approximately HK$373,556,000) including cash and bank balances of approximately HK$62,263,000 (2014: approximately HK$8,708,000).

FUNDING ACTIVITIES DURING THE YEAR

Other than the issue of the Convertible Bonds and Shares Subscription mentioned above, the Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2015, current assets of the Group amounted to approximately HK$213,558,000 which included cash of approximately HK$49,415,000 and approximately RMB10,765,000, while current liabilities stood at approximately HK$105,380,000. The Group has borrowings of approximately HK$41,766,000. Equity attributable to owners of the Company amounted to approximately HK$366,693,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 11.4% (borrowings to equity attributable to owners of the Company) as of 31 December 2015.

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. Although RMB depreciated in second part of 2015, risk is not significant as the Group conducts business in PRC and does not have import and export business. 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 and in the financial statements, as at 31 December 2015, the Group did not have any significant contingent liabilities and no other 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 2015, the issued share capital of the Company was made up of 930,897,672 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 2015.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 8 full-time employees working in Hong Kong and 292 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$34,136,000. 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 2015, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2015 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 Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group'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 2015. 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 2015.

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 2015 (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 2015, 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 some of the Company's operating subsidiaries. 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, 23 March 2016

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.