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 2016

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$182,800,000 for the year ended 31 December 2016 (2015: approximately HK$162,432,000), representing an increase of approximately 12.5%.

Loss attributable to owners of the Company amounted to approximately HK$59,567,000 (2015: loss of approximately HK$91,321,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: 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 2016 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 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	5	**182,800**	162,432
Other income and gains and losses	6	**449**	(18,736)
Cost of sales		**(152,079)**	(134,977)
Staff costs, including directors' remuneration	12	**(39,787)**	(32,077)
Depreciation		**(6,824)**	(8,069)
Amortisation of land use rights		**(724)**	(771)
Amortisation of other intangible assets		**(1,391)**	(1,425)
Impairment loss on trade receivables		**(5,663)**	(4,258)
Bad debt expenses		**(164)**	–
Impairment loss on other receivables		**–**	(1,002)
Impairment loss on property, plant and equipment		**–**	(20,000)
Other operating expenses		**(30,372)**	(28,212)
Share of (losses)/profits of associates		**(930)**	291
Finance costs	7	**(3,353)**	(3,176)
Loss before income tax	8	**(58,038)**	(89,980)
Income tax	9	**(2,165)**	(1,099)
Loss for the year		**(60,203)**	(91,079)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(26,138)**	(21,038)
Share of other comprehensive income of associates		**(361)**	(194)
Item reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**11**	–

	Note	2016 HK$'000	2015 HK$'000
Other comprehensive income for the year		**(26,488)**	(21,232)
Total comprehensive income for the year		**(86,691)**	(112,311)
(Loss)/profit attributable to:			
Owners of the Company		**(59,567)**	(91,321)
Non-controlling interests		**(636)**	242
		(60,203)	(91,079)
Total comprehensive income attributable to:			
Owners of the Company		**(85,263)**	(111,768)
Non-controlling interests		**(1,428)**	(543)
		(86,691)	(112,311)
Basic and diluted loss per share *(HK$)*	11	**(0.064)**	(0.104)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**234,067**	224,751
Land use rights		**27,637**	30,397
Goodwill		**29,364**	32,814
Other intangible assets		**19,077**	23,086
Interests in associates		**5,218**	6,509
Prepayments	15	**–**	19,093
Available-for-sale investments		**33**	33
Total non-current assets		**315,396**	336,683
Current assets			
Inventories	13	**9,285**	9,007
Trade receivables	14	**53,580**	69,571
Other receivables, deposits and prepayments	15	**79,922**	70,659
Amounts due from associates		**–**	380
Investments held for trading		**1,261**	6
Financial assets at fair value through profit or loss		**–**	1,672
Cash and cash equivalents		**17,512**	62,263
Total current assets		**161,560**	213,558
Total assets		**476,956**	550,241
Current liabilities			
Trade payables	16	**33,378**	31,543
Other payables and accruals		**59,759**	63,081
Customers' deposits		**6,656**	3,776
Financial liabilities at fair value through profit or loss		**232**	–
Obligations under finance leases		**7,931**	4,963
Borrowings		**3,906**	1,790
Tax payable		**1,503**	227
Total current liabilities		**113,365**	105,380
Net current assets		**48,195**	108,178

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**6,392**	7,449
Obligations under finance leases	**8,031**	9,387
Borrowings	**33,483**	39,976
Total non-current liabilities	**47,906**	56,812
Total liabilities	**161,271**	162,192
NET ASSETS	**315,685**	388,049
Equity		
Share capital	**58,181**	58,181
Reserves	**234,104**	308,512
Equity attributable to owners of the Company	**292,285**	366,693
Non-controlling interests	**23,400**	21,356
TOTAL EQUITY	**315,685**	388,049

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity attributable to owners of the Company								
	Share capital	Share premium account	Convertible bonds equity reserve	Statutory surplus 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*
Balance 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 and at 1 January 2016	**58,181**	**657,018**	**80,179**	**5,240**	**44,081**	**7,976**	**(485,982)**	**21,356**	**388,049**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(59,567)**	**(636)**	**(60,203)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(25,696)**	**–**	**–**	**(792)**	**(26,488)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(25,696)**	**–**	**(59,567)**	**(1,428)**	**(86,691)**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**10,855**	**–**	**–**	**10,855**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(306)**	**306**	**–**	**–**
Capital contribution to a non-wholly owned subsidiary by a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,370**	**3,370**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**102**	**102**
Balance at 31 December 2016	**58,181**	**657,018**	**80,179**	**5,240**	**18,385**	**18,525**	**(545,243)**	**23,400**	**315,685**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 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 People's Republic of China (the "PRC").

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2016

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 2010–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is 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.

The adoption of the amendments has no significant impact on these financial statements.

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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instrument[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

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

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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.

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.

HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)
The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases
HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 GEM Listing Rules.

(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.

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 2016 and 2015. 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 were no inter-segment sales or transfers during the years ended 31 December 2016 and 2015. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measurement 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 2016

	Manufacture and sale of PE pipes *HK$'000*	Transmission and distribution of natural gas *HK$'000*	Total *HK$'000*
Revenue from external customers	**33,802**	**148,998**	**182,800**
Reportable segment (loss)/profit	**(22,502)**	**8,689**	**(13,813)**
Reportable segment assets	**103,383**	**299,066**	**402,449**
Reportable segment liabilities	**(14,637)**	**(91,686)**	**(106,323)**
Other segment information:			
Bank interest income	**17**	**63**	**80**
Unallocated			**22**
Total bank interest income			**102**
Fair value loss on investments held for trading			**(343)**
Share of losses of associates	**–**	**(930)**	**(930)**
Depreciation	**(11,404)**	**(9,723)**	**(21,127)**
Unallocated			**(1,169)**
Total depreciation			**(22,296)**
Amortisation of land use rights	**(686)**	**(38)**	**(724)**
Amortisation of other intangible assets	**–**	**(1,391)**	**(1,391)**
Impairment loss on trade receivables	**(5,663)**	**–**	**(5,663)**
Written off of property, plant and equipment	**(681)**	**(756)**	**(1,437)**
Unallocated			**(3)**
Total written off of property, plant and equipment			**(1,440)**
Interests in associates	**–**	**5,218**	**5,218**
Additions to non-current assets	**3,434**	**60,009**	**63,443**
Unallocated			**1,194**
Total additions to non-current assets			**64,637**

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 (losses)/profits 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

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

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(13,813)**	(31,669)
Unallocated other income and gains and losses	**(382)**	(19,504)
Corporate and other unallocated expenses	**(40,490)**	(35,631)
Finance costs	**(3,353)**	(3,176)
Consolidated loss before income tax	**(58,038)**	(89,980)

	2016	2015
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**402,449**	413,400
Cash and cash equivalents	**17,512**	62,263
Unallocated corporate assets	**56,995**	74,578
Consolidated total assets	**476,956**	550,241

	2016	2015
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(106,323)**	(105,079)
Deferred tax liabilities	**(6,392)**	(7,449)
Unallocated corporate liabilities	**(48,556)**	(49,664)
Consolidated total liabilities	**(161,271)**	(162,192)

(c) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2016 and 2015 were located in the PRC.

(d) Information about major customers

For the year ended 31 December 2016, revenue from three customers (all in the transmission and distribution of natural gas segment) amounted to HK$36,217,000, HK$29,800,000 and HK$21,066,000 respectively and each contributed to 10% or more of the Group's total revenue.

For the year ended 31 December 2015, revenue from a customer (all in the transmission and distribution of natural gas segment) amounted to HK$20,480,000 and contributed to 10% or more 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:

	2016	2015
	HK$'000	*HK$'000*
Sales of PE pipes	**33,802**	51,538
Transmission and distribution of natural gas	**148,998**	110,894
	182,800	162,432

6. OTHER INCOME AND GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Sundry income	**3,179**	1,048
Bank interest income	**102**	121
Loss on disposal of investments held for trading	**–**	(1,019)
Written off of property, plant and equipment	**(1,440)**	(181)
(Loss)/gain on disposal of property, plant and equipment	**(24)**	33
Fair value loss on investments held for trading	**(343)**	(30)
Change in fair value of financial assets/liabilities at fair value through profit or loss	**(1,904)**	(18,708)
Gain on disposal of subsidiaries	**879**	–
	449	(18,736)

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**2,010**	2,796
Finance lease interest	**1,343**	380
	3,353	3,176

8. LOSS BEFORE INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Cost of inventories sold	**149,077**	132,245
Write down of inventories *(Note 13)*	**470**	2,732
Auditors' remuneration	**1,350**	1,280
Minimum operating lease payments in respect of land and buildings	**4,251**	3,798
Depreciation of property, plant and equipment		
– Owned	**20,348**	20,199
– Held under finance leases	**1,948**	431

Note: Depreciation charge included an amount of HK$15,472,000 (2015: HK$13,620,000) recognised as cost of inventories sold for the year.

9. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current tax – PRC		
– provision for the year	**2,162**	1,074
– under provision in respect of prior years	**34**	58
	2,196	1,132
Deferred tax liabilities		
– current year	**(31)**	(33)
Income tax	**2,165**	1,099

No provision has been made for Hong Kong Profits Tax as the Group had no assessable profit arising in 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 (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%.

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$59,567,000 (2015: HK$91,321,000), and the weighted average number of ordinary shares of 930,898,000 (2015: 878,459,000) in issue during the year.

The computation of diluted loss per share for the years ended 31 December 2016 and 2015 does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their conversion and exercise had an anti-dilutive effect on the basic loss per share. Accordingly, the basic and diluted loss per share for the years ended 31 December 2016 and 2015 are the same.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2016	2015
	HK$'000	*HK$'000*
Salaries and allowances	**26,361**	21,432
Retirement benefit scheme contributions	**2,571**	2,599
Equity-settled share-based payment expenses	**10,855**	8,046
	39,787	32,077

Staff salaries of HK$1,457,000 (2015: HK$2,059,000) were included in cost of inventories sold for the year.

13. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**5,331**	6,469
Work in progress	**1,563**	325
Finished goods (net of provision of HK$4,064,000 (2015: HK$7,724,000))	**2,391**	2,213
	9,285	9,007

During the year ended 31 December 2016, the directors had written off obsolete inventories of HK$3,629,000 which are determined to be worthless. The amount was fully offset against the provision for inventories. The Group also made a provision of HK$470,000 during the year (2015: HK$2,732,000) 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).

14. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**91,249**	103,791
Less: Provision for impairment	**(37,669)**	(34,220)
	53,580	69,571

(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. 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:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**34,220**	31,368
Impairment loss recognised	**5,663**	4,258
Exchange realignment	**(2,214)**	(1,406)
At 31 December	**37,669**	34,220

At 31 December 2016, the Group's trade receivables of HK$37,669,000 (2015: HK$34,220,000) 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:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**31,974**	25,604
31 – 60 days	**2,549**	4,582
61 – 90 days	**2,918**	2,901
Over 90 days	**16,139**	36,484
	53,580	69,571

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

	2016	2015
	HK$'000	*HK$'000*
Not past due	**36,263**	52,902
Less than 31 days past due	**2,297**	4,531
31 – 60 days past due	**6,896**	755
61 – 90 days past due	**581**	630
Over 90 days but less than 1 year past due	**4,680**	1,498
More than 1 year past due	**2,863**	9,255
	17,317	16,669
	53,580	69,571

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

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Prepayments *(Note)*	**–**	19,093
Current assets		
Other receivables and deposits	**50,549**	42,709
Prepayments	**39,901**	39,206
	90,450	81,915
Less: Provision for impairment loss on other receivables and prepayments	**(10,528)**	(11,256)
	79,922	70,659

Note:

As at 31 December 2015, the Group had a prepayment of HK$19,093,000 made to a third party for purchases of items of property, plant and equipment for the natural gas business. Due to the prolonged delay of the project, the Group and this third party agreed on 5 January 2017 to cancel the project pursuant to terms as stipulated in an agreement. The balance will be fully refunded by this third party to the Group by instalments in 2017. Accordingly, this prepayment is reclassified from non-current asset to current asset as at 31 December 2016.

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

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**11,256**	10,735
Impairment loss recognised	**–**	1,002
Exchange realignment	**(728)**	(481)
At 31 December	**10,528**	11,256

16. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**14,873**	8,536
31 – 60 days	**8,436**	4,092
61 – 90 days	**5,279**	3,528
Over 90 days	**4,790**	15,387
	33,378	31,543

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Revenue of the Group for the year ended 31 December 2016 increased when compared to the corresponding period in 2015. Such increase was mainly because in 2016, the natural gas business continued to contribute significant revenue to the Group. 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 Polyethylene pipes ("PE pipes") business. Therefore, the results of the Group will be improved accordingly.

After years of business transformation, the natural gas business has become the core business of the Group. Operating performance of the natural gas business segment continued to grow in 2016. In view of the People's Republic of China (the "PRC") government has implemented the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. As a result of various acquisitions and investments of the natural gas business in the past two years, the Group operated the natural gas business in various areas and provinces in the PRC. Our customers include industrial and domestic customers. During the year under review, the Group disposed certain assets of some subsidiaries which had low profitability and high management cost. Similar disposals may occur again in the future. The Group will focus its resources in the development of piped natural gas business with commercial and industrial clients of a larger business scale. 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.

The business segment of the PE pipes has been the major business of the Group in previous years and continued as one of the main businesses of the Group in 2016. The PE pipes include both water pipes and gas pipes. They are products used for construction and city development in the PRC. The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. With the anticipated improvement of revenue and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in the long term.

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

Potential disposal

On 22 July 2016, 寧國中基能源有限公司 (Ningguo China Primary Energy Limited#) as the vendor, a wholly-owned subsidiary of the Company, entered into a framework agreement with 安徽省皖能港華天然氣有限公司 (Anhui Wenergy Ganghua Natural Gas Limited#) as the purchaser, in relation to the potential disposal the "Potential Disposal" of certain natural gas related assets. Further announcement in respect of the Potential Disposal will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

Discloseable and connected transaction

On 28 November 2016, 福建中基能源有限公司 (Fujian China Primary Energy Limited#) (the "Vendor"), entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Chen Xin Zhou (the "Purchaser"), registered holder of 10% of the registered capital of 南靖縣中辰燃氣投資有限公司 (Nanjing Zhongchen Natural Gas Investment Company Limited#) (the "Target Company") before completion, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 71% registered capital of the Target Company for a consideration of RMB700,000.

Completion of the Sale and Purchase Agreement took place on the date of completion of registration of the transfer of Sale Capital with the relevant PRC authority, which was within thirty days from the date of signing of the Sale and Purchase Agreement. Upon completion, the Target Company has been ceased to be a subsidiary of the Company.

Bank Loan

On 2 November 2015, 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited#), a wholly-owned subsidiary of the Company (the "Borrower"), 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 RMB35,000,000 (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$182,800,000 for the year ended 31 December 2016, which represented an increase of approximately 12.5% when compared with last year's revenue of approximately HK$162,432,000. 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$58,038,000 (2015: loss of approximately HK$89,980,000). The loss attributable to owners of the Company was approximately HK$59,567,000 (2015: loss of approximately HK$91,321,000). Significant loss is mainly due to insufficient revenue generated in the reporting period. In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders.

BUSINESS OUTLOOK AND PROSPECTS

From 2017 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment. Currently, the energy segment mainly consists of the natural gas business. 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 and 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 sustain in 2017. The management is exploring new markets and improving the factory capacity and effectiveness. 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 2016, net assets of the Group were approximately HK$315,685,000 (2015: approximately HK$388,049,000) while its total assets were approximately HK$476,956,000 (2015: approximately HK$550,241,000) including cash and bank balances of approximately HK$17,512,000 (2015: approximately HK$62,263,000).

FUNDING ACTIVITIES DURING THE YEAR

The Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2016, current assets of the Group amounted to approximately HK$161,560,000 which included cash and bank balances of approximately HK$2,775,000 and approximately RMB13,205,000 (equivalent to HK$14,737,000), while current liabilities stood at approximately HK$113,365,000. The Group has borrowings of approximately HK$37,389,000. Equity attributable to owners of the Company amounted to approximately HK$292,285,00. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 12.8% (borrowings to equity attributable to owners of the Company) as of 31 December 2016.

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 deposits 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 2016, 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 in the section headed "Bank Loan" above, as at 31 December 2016, no other assets of the Group were pledged. As at 31 December 2016, the Group did not have any significant contingent liabilities.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to this annual results announcement.

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 2016, 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

The Group did not made any significant investment during the year ended 31 December 2016.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 8 full-time employees working in Hong Kong and 212 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK$41,243,000. 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 2016, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2016 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 2016 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 2016. 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 2016.

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 2016 (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 2016, 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 2017

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

As at the date of this 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.