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 2017

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

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*This announcement, for which the directors (the "Directors") of* ***CHINA PRIMARY ENERGY HOLDINGS LIMITED*** *(the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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$194,908,000 for the year ended 31 December 2017 (2016: approximately HK$182,800,000), representing an increase of approximately 6.6%.

Loss attributable to owners of the Company amounted to approximately HK$20,732,000 (2016: loss of approximately HK$59,567,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 2017 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 2017*

| | *Notes* | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| Revenue | 5 | **194,908** | 182,800 |
| Other income and gains and losses | 6 | **16,661** | 449 |
| Cost of sales | | **(161,581)** | (152,079) |
| Staff costs, including directors' remuneration | 12 | **(37,172)** | (39,787) |
| Depreciation | | **(8,139)** | (6,824) |
| Amortisation of land use rights | | **(671)** | (724) |
| Amortisation of other intangible assets | | **(983)** | (1,391) |
| Gain arising from changes in fair value of investment properties | | **9,641** | – |
| Reversal of impairment loss/(impairment loss) on trade receivables | | **3,546** | (5,663) |
| Bad debt expenses | | **–** | (164) |
| Other operating expenses | | **(29,373)** | (30,372) |
| Share of losses of associates | | **(692)** | (930) |
| Finance costs | 7 | **(4,359)** | (3,353) |
| Loss before income tax | 8 | **(18,214)** | (58,038) |
| Income tax | 9 | **(5,069)** | (2,165) |
| Loss for the year | | **(23,283)** | (60,203) |

| | Note | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Surplus on revaluation of properties transferred from property, plant and equipment and land use rights to investment properties, net of tax | | **7,656** | – |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **30,267** | (26,138) |
| Share of other comprehensive income of associates | | **746** | (361) |
| Items reclassified to profit or loss: | | | |
| Exchange differences reclassified to profit or loss upon disposal of subsidiaries | | **64** | 11 |
| Other comprehensive income for the year | | **38,733** | (26,488) |
| Total comprehensive income for the year | | **15,450** | (86,691) |
| Loss attributable to: | | | |
| Owners of the Company | | **(20,732)** | (59,567) |
| Non-controlling interests | | **(2,551)** | (636) |
| | | **(23,283)** | (60,203) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **10,765** | (85,263) |
| Non-controlling interests | | **4,685** | (1,428) |
| | | **15,450** | (86,691) |
| Basic and diluted loss per share *(HK$)* | 11 | **(0.022)** | (0.064) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 DECEMBER 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **292,837** | 234,067 |
| Investment properties | | **42,839** | – |
| Land use rights | | **30,536** | 27,637 |
| Goodwill | | **29,575** | 29,364 |
| Other intangible assets | | **2,380** | 19,077 |
| Interests in associates | | **4,743** | 5,218 |
| Available-for-sale investments | | **33** | 33 |
| **Total non-current assets** | | **402,943** | 315,396 |
| **Current assets** | | | |
| Inventories | 13 | **13,844** | 9,285 |
| Trade receivables | 14 | **108,939** | 53,580 |
| Other receivables, deposits and prepayments | 15 | **80,703** | 79,922 |
| Investments held for trading | | **400** | 1,261 |
| Cash and cash equivalents | | **10,841** | 17,512 |
| **Total current assets** | | **214,727** | 161,560 |
| **Total assets** | | **617,670** | 476,956 |
| **Current liabilities** | | | |
| Trade payables | 16 | **95,694** | 33,378 |
| Other payables and accruals | | **84,902** | 59,759 |
| Customers' deposits | | **7,235** | 6,656 |
| Financial liabilities at fair value through profit or loss | | **8,011** | 232 |
| Amount due to a director | | **420** | – |
| Obligations under finance leases | | **10,634** | 7,931 |
| Borrowings | | **45,625** | 3,906 |
| Tax payable | | **1,678** | 1,503 |
| **Total current liabilities** | | **254,199** | 113,365 |
| **Net current (liabilities)/assets** | | **(39,472)** | 48,195 |

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current liabilities** | | |
| Amount due to a director | **3,782** | – |
| Deferred tax liabilities | **8,396** | 6,392 |
| Obligations under finance leases | **7,085** | 8,031 |
| Borrowings | **–** | 33,483 |
| **Total non-current liabilities** | **19,263** | 47,906 |
| **Total liabilities** | **273,462** | 161,271 |
| **NET ASSETS** | **344,208** | 315,685 |
| **Equity** | | |
| Share capital | **58,181** | 58,181 |
| Reserves | **255,495** | 234,104 |
| **Equity attributable to owners of the Company** | **313,676** | 292,285 |
| **Non-controlling interests** | **30,532** | 23,400 |
| **TOTAL EQUITY** | **344,208** | 315,685 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 31 DECEMBER 2017*

| | 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 | Property revaluation reserve | Accumulated losses | Total | 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* | *HK$'000* |
| **Balance at 1 January 2016** | 58,181 | 657,018 | 80,179 | 5,240 | 44,081 | 7,976 | – | (485,982) | 366,693 | 21,356 | 388,049 |
| Loss for the year | – | – | – | – | – | – | – | (59,567) | (59,567) | (636) | (60,203) |
| Other comprehensive income | – | – | – | – | (25,696) | – | – | – | (25,696) | (792) | (26,488) |
| Total comprehensive income | – | – | – | – | (25,696) | – | – | (59,567) | (85,263) | (1,428) | (86,691) |
| Equity-settled share-based transactions | – | – | – | – | – | 10,855 | – | – | 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 non-controlling interests through disposal of subsidiaries | – | – | – | – | – | – | – | – | – | 102 | 102 |
| **Balance at 31 December 2016 and at 1 January 2017** | **58,181** | **657,018** | **80,179** | **5,240** | **18,385** | **18,525** | **–** | **(545,243)** | **292,285** | **23,400** | **315,685** |
| **Loss for the year** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(20,732)** | **(20,732)** | **(2,551)** | **(23,283)** |
| **Other comprehensive income** | **–** | **–** | **–** | **–** | **23,841** | **–** | **7,656** | **–** | **31,497** | **7,236** | **38,733** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **23,841** | **–** | **7,656** | **(20,732)** | **10,765** | **4,685** | **15,450** |
| **Equity-settled share-based transactions** | **–** | **–** | **–** | **–** | **–** | **10,626** | **–** | **–** | **10,626** | **–** | **10,626** |
| **Lapse of share options** | **–** | **–** | **–** | **–** | **–** | **(626)** | **–** | **626** | **–** | **–** | **–** |
| **Acquisition of a subsidiary** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2,447** | **2,447** |
| **Release of statutory reserve upon disposal of a subsidiary** | **–** | **–** | **–** | **(131)** | **–** | **–** | **–** | **131** | **–** | **–** | **–** |
| **Balance at 31 December 2017** | **58,181** | **657,018** | **80,179** | **5,109** | **42,226** | **28,525** | **7,656** | **(565,218)** | **313,676** | **30,532** | **344,208** |

# NOTES TO THE FINANCIAL STATEMENTS

*31 DECEMBER 2017*

## 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 Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes"), transmission and distribution of natural gas, trading of electronic components and consumables, and property investment primarily in the PRC.

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

### (a) Adoption of new/revised HKFRSs – effective on 1 January 2017

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

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

*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.

The adoption of the amendments has no impact on the financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

**(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 HKFRS 2 | Classification and Measurement of Share-Based Payment Transactions[1] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| Amendments to HKFRS 15 | Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| HK(IFRIC)–Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HKFRS 16 | Leases[2] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |

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

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

3 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 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.

The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

*HKFRS 9 – 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.

The adoption of HKFRS 9 might have an impact on the Group's financial performance and financial position, including the measurement of the financial assets and disclosures. In particular, the directors of the Company expect that the adoption of an expected credit losses impairment model will result in earlier recognition of credit losses of the Group's trade receivables.

*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.

*Amendments 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.

The Group does not expect that the adoption of HKRFS 15 will have an impact on the pattern of revenue and profit recognition as there is only one performance obligation identified in the contracts with customers and the performance obligation is satisfied at point of time. The impact to the Group is expected to include more comprehensive disclosure as required by the new standard.

*Amendments to HKAS 40, Investment Property – Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

*HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration*

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group expects to adopt the interpretation on 1 January 2018 and does not expect its adoption will have significant impact on the Group's financial position and performance.

*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 than 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.

As at 31 December 2017, total operating lease commitments of the Group in respect of its office premises held under operating leases amounted to HK$3,788,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

*HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments*

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group does not expect the adoption of this Interpretation will result in a significant impact on the Group's results and financial position.

*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 expects to adopt the amendments on its mandatory effective date of adoption and does not expect its adoption will have significant impact on the Group's financial position and performance.

## 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 GEM of the Stock Exchange.

### (b) Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values.

During the year, the Group has incurred a loss of HK$23,283,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$39,472,000. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

On 12 February 2018, the Company entered into two subscription agreements with two subscribers, who are independent third parties, to allot and issue 93,089,767 and 53,900,000 new shares at HK$0.8183 per new share to the subscribers respectively. The net proceeds of these two share subscriptions amounted to approximately HK$76 million and HK$44 million respectively which will be applied towards the potential investment opportunities of the Group and as the working capital of the Group. The subscription of 93,089,767 shares was completed on 9 March 2018 and the subscription of 53,900,000 shares will be completed on or before 31 March 2018. This enables the Group to have sufficient funds to meet its liabilities as they fall due and to carry on its business without a significant curtailment of operations. Accordingly, the financial statements have been prepared on a going concern basis.

## 4. SEGMENT REPORTING

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

The Group has four reportable segments for the year ended 31 December 2017 and two reportable segments for the year ended 31 December 2016. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations of each of the Group's reportable segments:

– Manufacture and sale of PE pipes
– Transmission and distribution of natural gas
– Trading of electronic components and consumables
– Property investment

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.

Inter-segment transfer of non-current assets are priced at net book value as at transfer date. There was no inter-segment sale or transfer during the years ended 31 December 2017 and 2016. Central 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 2017**

| | Manufacture and sale of PE pipes *HK$'000* | Transmission and distribution of natural gas *HK$'000* | Trading of electronic component *HK$'000* | Property investment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customers | 33,015 | 129,771 | 16,385 | 564 | 179,735 |
| Reportable segment (loss)/profit | (2,440) | (4,981) | (6,229) | 14,487 | 837 |
| Reportable segment assets | 83,826 | 434,180 | 16,146 | 42,839 | 576,991 |
| Reportable segment liabilities | (24,319) | (172,801) | (4,388) | (7,686) | (209,194) |
| Other segment information: | | | | | |
| Bank interest income | 26 | 34 | 22 | – | 82 |
| Unallocated | | | | | 10 |
| Total bank interest income | | | | | 92 |
| Share of losses of associates | – | (692) | – | – | (692) |
| Gain on disposal of subsidiaries | 14,989 | (1,238) | – | – | 13,751 |
| Depreciation | (6,170) | (10,502) | (839) | – | (17,511) |
| Unallocated | | | | | (539) |
| Total depreciation | | | | | (18,050) |
| Amortisation of land use rights | (517) | (128) | – | – | (645) |
| Unallocated | | | | | (26) |
| Total amortisation of land use rights | | | | | (671) |
| Amortisation of other intangible assets | – | (983) | – | – | (983) |
| Reversal of impairment loss/ (impairment loss) on trade receivables | 5,135 | (1,589) | – | – | 3,546 |
| Reversal of write down of inventories | 2,926 | – | – | – | 2,926 |
| Reversal of impairment loss on inventories | 1,948 | – | – | – | 1,948 |
| Loss on disposal of property, plant and equipment | (105) | – | – | – | (105) |
| Interest in associates | – | 4,743 | – | – | 4,743 |
| Additions to non-current assets | 6,315 | 97,297 | 31 | – | 103,643 |
| Unallocated | | | | | 8,216 |
| Total additions to non-current assets | | | | | 111,859 |

For the year ended 31 December 2016

| | Manufacture and sale of PE pipes<br>*HK$'000* | Transmission and distribution of natural gas<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| Revenue from external customers | 33,802 | 148,998 | 182,000 |
| 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 |
| 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) |
| Interest 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 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss before income tax** | | |
| Total reportable segment's profit/(loss) | **837** | (13,813) |
| Unallocated other income and gains and losses | **(8,315)** | (382) |
| Corporate and other unallocated expenses | **(6,377)** | (40,490) |
| Finance costs | **(4,359)** | (3,353) |
| Consolidated loss before income tax | **(18,214)** | (58,038) |

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Assets** | | |
| Total reportable segment's assets | **576,991** | 402,449 |
| Cash and cash equivalents | **10,841** | 17,512 |
| Unallocated corporate assets | **29,838** | 56,995 |
| Consolidated total assets | **617,670** | 476,956 |

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Liabilities** | | |
| Total reportable segment's liabilities | **(209,194)** | (106,323) |
| Deferred tax liabilities | **(8,396)** | (6,392) |
| Unallocated corporate liabilities | **(55,872)** | (48,556) |
| Consolidated total liabilities | **(273,462)** | (161,271) |

**(c) Geographical information**

Over 90% of the Group's revenue for the two years ended 31 December 2017 and 2016 was generated from customers located in the PRC and all non-current assets (other than financial instruments) were located in the PRC.

**(d) Information about major customers**

For the year ended 31 December 2017, revenue from two customers (all in the transmission and distribution of natural gas segment) amounted to HK$39,745,000 (2016:HK$37,435,000) and HK$38,275,000 (2016:HK$36,217,000) and each contributed to 10% or more of the Group's total revenue.

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

## 5. REVENUE

Revenue represents the net invoiced amounts of goods sold and rental income earned by the Group. An analysis of the Group's revenue is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of PE pipes | **42,377** | 33,802 |
| Transmission and distribution of natural gas | **135,581** | 148,998 |
| Sales of electronic components and consumables | **16,386** | – |
| Rental income | **564** | – |
| | **194,908** | 182,800 |

## 6. OTHER INCOME AND GAINS AND LOSSES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sundry income | **3,498** | 3,179 |
| Bank interest income | **92** | 102 |
| Reversal of impairment on property, plant and equipment | **9,675** | – |
| Written off of property, plant and equipment | **(1,611)** | (1,440) |
| Loss on disposal of property, plant and equipment | **(105)** | (24) |
| Fair value loss on investments held for trading | **(860)** | (343) |
| Change in fair value of financial liabilities at fair value through profit or loss | **(7,779)** | (1,904) |
| Gain on disposal of subsidiaries | **13,751** | 879 |
| | **16,661** | 449 |

## 7. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and other borrowings | **2,794** | 2,010 |
| Finance lease interest | **1,565** | 1,343 |
| | **4,359** | 3,353 |

## 8. LOSS BEFORE INCOME TAX

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Loss before income tax is arrived at after charging/(crediting): | | |
| Cost of inventories sold | **151,223** | 149,077 |
| Reversal of write down of inventories *(Note 13)* | **(2,926)** | – |
| (Reversal of impairment loss)/impairment loss on inventories *(Note 13)* | **(1,948)** | 470 |
| Auditors' remuneration | **1,512** | 1,350 |
| Minimum operating lease payments in respect of land and buildings | **3,617** | 4,251 |
| Depreciation of property, plant and equipment | | |
| – Owned | **14,509** | 20,348 |
| – Held under finance leases | **3,541** | 1,948 |

*Note:* Depreciation charge included an amount of HK$9,911,000 (2016: HK$15,472,000) recognised as cost of inventories sold for the year.

## 9. INCOME TAX

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Current tax – PRC | | |
| – tax for the year | **239** | 2,162 |
| – under provision in respect of prior years | **–** | 34 |
| | **239** | 2,196 |
| Deferred tax liabilities | | |
| – current year | **4,830** | (31) |
| Income tax | **5,069** | 2,165 |

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 2018, 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:

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loss before income tax | **(18,214)** | (58,038) |
| Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2016: 25%) | **(4,553)** | (14,510) |
| Effect of different tax rates of subsidiaries operating in Hong Kong | **2,618** | 1,761 |
| Tax effect of expenses not deductible for taxation purposes | **8,174** | 10,254 |
| Tax effect of non-taxable items | **(1,709)** | (1,292) |
| Tax effect on unused tax losses and other temporary differences not recognised | **4,281** | 5,918 |
| Utilisation of previously unrecognised tax losses | **(3,742)** | – |
| Underprovision in respect of prior year | **–** | 34 |
| Income tax for the year | **5,069** | 2,165 |

## 10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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$20,732,000 (2016: HK$59,567,000), and the weighted average number of ordinary shares of 930,898,000 (2016: 930,898,000) in issue during the year.

The computation of diluted loss per share for the year ended 31 December 2017 and 2016 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 2017 and 2016 are the same.

## 12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Salaries and allowances | **24,653** | 26,361 |
| Retirement benefit scheme contributions | **1,893** | 2,571 |
| Equity-settled share-based payment expenses | **10,626** | 10,855 |
| | **37,172** | 39,787 |

Staff salaries of HK$900,000 (2016: HK$1,457,000) were included in cost of inventories sold for the year.

## 13. INVENTORIES

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Raw materials | **1,333** | 5,331 |
| Work in progress | **805** | 1,563 |
| Finished goods (net of provision of HK$2,344,000 (2016: HK$4,064,000)) | **11,706** | 2,391 |
| | **13,844** | 9,285 |

During the year ended 31 December 2017, the Group made a reversal of provision of HK$1,948,000 (2016: provision of HK$470,000) to increase the carrying amount of finished goods to their net realisable value. During the year ended 31 December 2016, the directors had also written off obsolete inventories of HK$3,629,000 which were determined to be worthless and the amount was fully offset against the provision for inventories.

## 14. TRADE RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **145,770** | 91,249 |
| Less: Provision for impairment | **(36,831)** | (37,669) |
| | **108,939** | 53,580 |

(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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **37,669** | 34,220 |
| Impairment loss recognised | **4,065** | 5,663 |
| Recovery of impairment loss previously recognised | **(7,611)** | – |
| Exchange realignment | **2,708** | (2,214) |
| At 31 December | **36,831** | 37,669 |

At 31 December 2017, the Group's trade receivables of HK$36,831,000 (2016: HK$37,669,000 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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **93,654** | 31,974 |
| 31 – 60 days | **4,889** | 2,549 |
| 61 – 90 days | **1,561** | 2,918 |
| Over 90 days | **8,835** | 16,139 |
| | **108,939** | 53,580 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not past due | **6,752** | 36,263 |
| Less than 31 days past due | **88,833** | 2,297 |
| 31 – 60 days past due | **1,911** | 6,896 |
| 61 – 90 days past due | **1,420** | 581 |
| Over 90 days but less than 1 year past due | **4,545** | 4,680 |
| More than 1 year past due | **5,478** | 2,863 |
| | **102,187** | 17,317 |
| | **108,939** | 53,580 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other receivables and deposits | **61,420** | 43,727 |
| Finance lease deposits | **4,853** | 3,028 |
| Value added tax recoverable | **4,066** | 3,794 |
| Prepayments | **21,689** | 39,901 |
| | **92,028** | 90,450 |
| Less: Provision for impairment loss on other receivables and prepayments | **(11,325)** | (10,528) |
| | **80,703** | 79,922 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **10,528** | 11,256 |
| Exchange realignment | **797** | (728) |
| At 31 December | **11,325** | 10,528 |

## 16. TRADE PAYABLES

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **91,412** | 14,873 |
| 31 – 60 days | **317** | 8,436 |
| 61 – 90 days | **25** | 5,279 |
| Over 90 days | **3,940** | 4,790 |
| | **95,694** | 33,378 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION REVIEW

Revenue of the Group for the year ended 31 December 2017 increased when compared to the corresponding period in 2016. Such increase was mainly because in 2017, the natural gas business was stable and there were new income from trading and rental businesses. The board (the "Board") of directors (the "Director(s)") believes that revenue of the Group will be further improved with the further development of the natural gas business and the trading business. Therefore, the results of the Group will be improved accordingly.

After years of business transformation, the natural gas business was the core business of the Group. Operating performance of the natural gas business segment continued to grow in 2017. 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. The Group operated the natural gas business in various areas and provinces in the PRC in 2017. Our customers include industrial and domestic customers. During the year under review, the Group disposed of a subsidiary so as to concentrate on resources. The Group is also exploring clean energy business and natural gas related areas such as electricity generating business so as to fully use the synergy effect on current natural gas business. The Group is of the view that the natural gas business is still growing and is now the most significant business of the Group.

The manufacturing segment has been the major business segment of the Group in previous years and continued as one of the businesses of the Group in 2017. The Polyethylene pipes (the "PE pipes") are the major products of the manufacturing segment and 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. After years of investigation, the Group started its letting business in Yichang. Rental income became a new business segment of the Group.

From November 2017 onwards, the Group commenced its trading business segment. With the international trading platform in Hong Kong and the built up business relationship of the Group, the trading segment is anticipated to grow with variety of trading products such as natural gas, electronic components and consumables.

In view of the unstable global political environment and the pressure on 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.

### Discloseable transaction – Disposal of a subsidiary

On 29 August 2017, China Primary Energy (Shenzhen) Limited (the "Vendor"), indirect wholly-owned subsidiary of the Company and the registered holder of 寧國中基能源有限公司 (Ningguo China Primary Energy Limited#) ("Ningguo CP"), entered into the sale and purchase agreement with 寧國安順燃氣有限公司 (Ningguo Anshun Gas Limited#) (the "Purchaser"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 100% registered capital of Ningguo CP for a consideration of RMB43,000,000. Upon completion, Ningguo CP ceased to be a subsidiary of the Company and the financial results of Ningguo CP no longer be consolidated into the financial statements of the Group.

## EVENTS AFTER THE REPORTING DATE

### Subscription of new shares by Winmaxi (BVI) Company Limited

On 12 February 2018, the Company entered into the subscription agreement (the "Winmaxi Subscription Agreement") with Winmaxi (BVI) Company Limited ("Winmaxi") as subscriber, pursuant to which Winmaxi has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 93,089,767 new Shares (the "Winmaxi Subscription Shares(s)") at the subscription price of HK$0.8183 per Winmaxi Subscription Share (the "Winmaxi Shares Subscription").

The subscription price of HK$0.8183 per Winmaxi Subscription Share represented a discount of approximately 16.50% to the closing price of HK$0.98 per Share as quoted on the Stock Exchange on 12 February 2018, being the date of the Winmaxi Subscription Agreement. The net subscription price, after deduction of relevant expenses, is approximately HK$0.8156 per Winmaxi Subscription Share.

By entering into the Winmaxi Subscription Agreement, the Group can broaden its capital base and further strengthen the financial position of the Group. Furthermore, the Winmaxi Shares Subscription will broaden the shareholder base of the Company as the shareholder of Winmaxi is a well-developed listed company.

The gross proceeds of the Winmaxi Shares Subscription of approximately HK$76.2 million will generally be used as the working capital of the Group in the future.

The completion of the Winmaxi Shares Subscription has taken place on 9 March 2018 pursuant to the terms of the Winmaxi Subscription Agreement and all the 93,089,767 Winmaxi Subscription Shares have been issued and allotted to Winmaxi in accordance with the terms and conditions of the Winmaxi Subscription Agreement. The Winmaxi Subscription Shares rank equally in all respects among themselves and with all other ordinary shares of HK$0.0625 each.

Details are set out in the announcements dated 12 February 2018, 15 February 2018, 22 February 2018 and 9 March 2018 of the Company.

**Subscription of new shares by Asia Bravo Limited**

On 12 February 2018, the Company entered into the subscription agreement (the "Asia Bravo Subscription Agreement") with Asia Bravo Limited ("Asia Bravo") as subscriber, pursuant to which Asia Bravo has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 53,900,000 new Shares (the "Asia Bravo Subscription Shares(s)") at the subscription price of HK$0.8183 per Asia Bravo Subscription Share (the "Asia Bravo Shares Subscription").

The subscription price of HK$0.8183 per Asia Bravo Subscription Share represented a discount of approximately 16.50% to the closing price of HK$0.98 per Share as quoted on the Stock Exchange on 12 February 2018, being the date of the Asia Bravo Subscription Agreement. The net subscription price, after deduction of relevant expenses, is approximately HK$0.8155 per Asia Bravo Subscription Share.

By entering into the Asia Bravo Subscription Agreement, the Group can broaden its capital base and further strengthen the financial position of the Group. Furthermore, the Asia Bravo Shares Subscription will broaden the shareholder base of the Company.

The gross proceeds of the Asia Bravo Shares Subscription of approximately HK$44.1 million will generally be used as the working capital of the Group in the future.

As at the date of this annual results announcement, Asia Bravo Subscription Shares have not been issued and allotted and are anticipated to be issued and allotted on or before 29 March 2018. The Company will make a further announcement when completion takes place.

Details are set out in the announcements dated 12 February 2018, 15 February 2018 and 22 February 2018 of the Company.

## FINANCIAL REVIEW

Revenue was approximately HK$194,908,000 for the year ended 31 December 2017, which represented an increase of approximately 6.6% when compared with last year's revenue of approximately HK$182,800,000. 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$18,214,000 (2016: loss of approximately HK$58,038,000). The loss attributable to owners of the Company was approximately HK$20,732,000 (2016: loss of approximately HK$59,567,000). 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 2018 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment, the trading segment and the property investment 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 2018. The land and properties in Yichang will continue to be let out to generate rental income.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, net assets of the Group were approximately HK$344,208,000 (2016: approximately HK$315,685,000) while its total assets were approximately HK$617,670,000 (2016: approximately HK$476,956,000) including cash and bank balances of approximately HK$10,841,000 (2016: approximately HK$17,512,000).

## 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 2017, current assets of the Group amounted to approximately HK$214,727,000 which included cash and bank balances of approximately HK$3,444,000 and approximately RMB6,160,000 (equivalent to HK$7,397,000), while current liabilities stood at approximately HK$254,199,000. The Group has borrowings of approximately HK$45,625,000. Equity attributable to owners of the Company amounted to approximately HK$313,676,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 14.5% (borrowings to equity attributable to owners of the Company) as of 31 December 2017.

## 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. Exchange 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

As at 31 December 2017, no assets of the Group were pledged and 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 GEM of the Stock Exchange on 13 December 2001. As at 31 December 2017, 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

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

## SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not made any significant investment during the year ended 31 December 2017. No material plan for future investment was noted as at the date of this annual results announcement.

## EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 8 full-time employees working in Hong Kong and 203 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK$38,309,000. 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 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 2017, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2017 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 profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 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 2017. 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 2017.

## 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 2017 (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 2017, 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, 22 March 2018

*#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 GEM 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.*