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 2018

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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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

Total revenue was approximately HK$173,224,000 for the year ended 31 December 2018 (2017: approximately HK$194,908,000), representing a decrease of approximately 11.1%.

Loss attributable to owners of the Company amounted to approximately HK$10,717,000 (2017: loss of approximately HK$20,732,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: 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 2018 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 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000* (Re-presented)
Continuing operations			
Revenue	5	**143,859**	152,531
Other income and gains and losses	6	**(1,403)**	3,399
Changes in inventories of finished goods and work in progress		**(111,269)**	(112,406)
Staff costs, including directors' remuneration	12	**(26,077)**	(34,462)
Depreciation		**(13,229)**	(11,880)
Amortisation of land use rights		**(174)**	(154)
Amortisation of other intangible assets		**(378)**	(983)
Gain arising from changes in fair value of investment properties		**40,824**	9,641
Gain on partial disposal of an associate		**67**	–
Impairment loss on trade receivables		**(1,922)**	(1,589)
Other operating expenses		**(29,011)**	(14,820)
Share of profit/(loss) of an associate		**530**	(692)
Finance costs	7	**(3,763)**	(4,359)
Loss before income tax	8(a)	**(1,946)**	(15,774)
Income tax	9	**(9,499)**	(5,069)
Loss from continuing operations		**(11,445)**	(20,843)
Discontinued operations			
Loss from discontinued operations	8(b)	**(3,002)**	(2,440)
Loss for the year		**(14,447)**	(23,283)
Attributable to:			
Owners of the Company			
– From continuing operations		**(7,715)**	(18,292)
– From discontinued operations		**(3,002)**	(2,440)
		(10,717)	(20,732)
Non-controlling interests		**(3,730)**	(2,551)
Loss for the year		**(14,447)**	(23,283)

	Note	2018 HK$'000	2017 HK$'000 (Re-presented)
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		**26,856**	7,656
Changes in fair value of equity instruments at fair value through other comprehensive income		**(13)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(19,626)**	30,267
Share of other comprehensive income of an associate		**97**	746
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**–**	64
Other comprehensive income for the year		**7,314**	38,733
Total comprehensive (loss)/income for the year		**(7,133)**	15,450
Total comprehensive (loss)/income attributable to:			
Owners of the Company			
– From continuing operations		**6,639**	2,482
– From discontinued operations		**(3,531)**	8,283
Non-controlling interests		**(10,241)**	4,685
		(7,133)	15,450
Losses per share from continuing and discontinued operations	11		
– Basic		**(0.011)**	(0.022)
– Diluted		**(0.011)**	(0.022)
Losses per share from continuing operations	11		
– Basic		**(0.008)**	(0.020)
– Diluted		**(0.008)**	(0.020)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**264,935**	292,837
Investment properties		**196,513**	42,839
Land use rights		**18,373**	30,536
Goodwill		**28,042**	29,575
Other intangible assets		**2,822**	2,380
Interest in an associate		**3,715**	4,743
Available-for-sale investments		**–**	33
Equity instrument measured at fair value through other comprehensive income		**20**	–
Total non-current assets		**514,420**	402,943
Current assets			
Inventories	13	**2,748**	13,844
Trade receivables	14	**31,442**	108,939
Other receivables, deposits and prepayments	15	**85,117**	80,703
Investments held for trading		**299**	400
Cash and cash equivalents		**38,588**	10,841
Total current assets		**158,194**	214,727
Total assets		**672,614**	617,670
Current liabilities			
Trade payables	16	**22,083**	95,694
Other payables and accruals		**110,681**	84,902
Customers' deposits		**–**	7,235
Financial liabilities at fair value through profit or loss		**12,907**	8,011
Loans from a major shareholder		**398**	420
Obligations under finance leases		**6,733**	10,634
Borrowings		**52,936**	45,625
Tax payable		**493**	1,678
Total current liabilities		**206,231**	254,199
Net current liabilities		**(48,037)**	(39,472)

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Loans from a major shareholder	**13,246**	3,782
Deferred tax liabilities	**27,154**	8,396
Obligations under finance leases	**2,956**	7,085
Total non-current liabilities	**43,356**	19,263
Total liabilities	**249,587**	273,462
NET ASSETS	**423,027**	344,208
Equity		
Share capital	**63,999**	58,181
Reserves	**338,737**	255,495
Equity attributable to owners of the Company	**402,736**	313,676
Non-controlling interests	**20,291**	30,532
TOTAL EQUITY	**423,027**	344,208

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity attributable to owners of the Company										
	Share capital *HK$'000*	**Share premium account** *HK$'000*	**Convertible bonds equity reserve** *HK$'000*	**Statutory surplus reserve** *HK$'000*	**Exchange translation reserve** *HK$'000*	**Share option reserve** *HK$'000*	**Property revaluation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance 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:											
Exchange differences on translation of foreign operations	–	–	–	–	23,841	–	–	–	23,841	7,236	31,077
Surplus on revaluation of properties transferred from property, plant and equipment and land use rights to investment properties, net of tax	–	–	–	–	–	–	7,656	–	7,656	–	7,656
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

	Equity attributable to owners of the Company											
	Share capital ***HK$'000***	**Share premium account** ***HK$'000***	**Convertible bonds equity reserve** ***HK$'000***	**Statutory surplus reserve** ***HK$'000***	**Exchange translation reserve** ***HK$'000***	**Share option reserve** ***HK$'000***	**Property revaluation reserve** ***HK$'000***	**Financial assets at fair value through other comprehensive income reserve** ***HK$'000***	**Accumulated losses** ***HK$'000***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 1 January 2018	**58,181**	**657,018**	**80,179**	**5,109**	**42,226**	**28,525**	**7,656**	**-**	**(565,218)**	**313,676**	**30,532**	**344,208**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,717)**	**(10,717)**	**(3,730)**	**(14,447)**
Other comprehensive income:												
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(13,018)**	**-**	**-**	**-**	**-**	**(13,018)**	**(6,511)**	**(19,529)**
Surplus on revaluation of properties transferred from property, plant and equipment and land use rights to investment properties, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**26,856**	**-**	**-**	**26,856**	**-**	**26,856**
Changes in fair value of equity instruments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**-**	**(13)**	**-**	**(13)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(13,018)**	**-**	**26,856**	**(13)**	**(10,717)**	**3,108**	**(10,241)**	**(7,133)**
Equity-settled share-based transactions	**-**	**-**	**-**	**-**	**-**	**9,777**	**-**	**-**	**-**	**9,777**	**-**	**9,777**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(5,884)**	**-**	**-**	**5,884**	**-**	**-**	**-**
Subscription of shares	**5,818**	**70,357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,175**	**-**	**76,175**
Balance at 31 December 2018	**63,999**	**727,375**	**80,179**	**5,109**	**29,208**	**32,418**	**34,512**	**(13)**	**(570,051)**	**402,736**	**20,291**	**423,027**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, 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"), transmission and distribution of natural gas, trading of electronic components and property investment primarily in the PRC.

During the year, the Group decided to cease its manufacture and sale of PE pipes business. Details of discontinued operations are set out in Note 8(b).

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018

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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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 adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As of 1 January 2018, certain listed equity investments were reclassified from available-for-sale financial assets at fair value to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of HK$33,000 was reclassified from available-for-sale financial assets at fair value to FVOCI on 1 January 2018.

The Group had available-for-sale investments as at 1 January 2018, the opening balance of available-for-sale financial assets reserve was HK$Nil and therefore, there was HK$Nil transferred to fair value through other comprehensive income ("FVTOCI").

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Listed equity investments	Held-for-trading (at fair value)	FVTPL	400	400
Listed equity investments	Available-for-sale (at fair value)	FVTOCI	33	33
Trade receivables	Loans and receivables	Amortised cost	108,939	108,939
Other receivables	Loans and receivables	Amortised cost	65,267	65,267
Cash and cash equivalents	Loans and receivables	Amortised cost	10,841	10,841

Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

Impairment of trade receivables
As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

Impairment of other receivables
Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, no additional impairment of other receivable as at 1 January 2018 was recognised as the amount of the impairment measured under the ECLs model is immaterial.

Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers and amendments to HKFRS 15 –
Revenue from contracts with Customers (Clarifications to HKFRS 15)

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 introduces a five-step model when recognising revenue:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 January 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 January 2018 have been made. However, additional disclosures have been presented in the consolidated financial statements for the year ended 31 December 2018 as a result of adoption of HKFRS 15.

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 adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

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 Interpretations 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 adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
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 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for transactions that occur on or after 1 January 2020

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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.

As at 31 December 2018, total operating lease commitments of the Group in respect of its office premises held under operating leases amounted to HK$11,776,000. 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 statements of financial position as right-of-use 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 HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their financial statements.

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

Amendments to HKFRS 3 – Definition of a Business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The Group does not expect the adoption of these amendments 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 does not expect the adoption of these amendments 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 as explained in the accounting policies set out below.

During the year, the Group incurred a loss of HK$14,447,000 and at the end of the reporting period, it recorded net current liabilities of HK$48,037,000.

The directors of the Company have assessed the situation and taken the following measures to improve the financial position and liquidity of the Group:

(a) The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflows from its operations;

(b) The Group obtained a revolving loan facility of up to RMB8,500,000 (approximately HK$9,676,000) from a bank in the PRC for a five-year period ending 25 November 2023. As at 31 December 2018, the Group has drawn a loan of HK$9,676,000 which is repayable by 26 November 2019 and the Group can continue to utilise this amount on the maturity date;

(c) The Group had other loan of HK$11,384,000 as at 31 December 2018 which was due for repayment on 19 March 2019. On 12 March 2019, the borrower has agreed to extend the maturity date to 19 May 2020; and

(d) As at 31 December 2018, the Group recorded construction costs of HK$50,820,000 payable to a contractor. The Group subsequently settled the amount of HK$22,768,000 in February 2019. On 12 March 2019, the Group and the contractor have agreed in writing to extend the repayment of the outstanding amount of HK$28,052,000 by 30 April 2020.

The Directors are of the opinion that as a result of the above measures, the Group will have sufficient working capital to meet its cash flows requirements in the next twelve months. Accordingly, these consolidated 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 years ended 31 December 2018 and 2017. 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:

Revenue from contracts with customers within the scope of HKFRS 15:

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

Revenue from other sources:

– 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 2018 and 2017. 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 2018

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas *HK$'000*	Trading of electronic components *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Manufacture and sale of PE pipes *HK$'000*	Total *HK$'000*
Revenue from external customers	55,752	85,460	2,647	143,859	29,365	173,224
Reportable segment (loss)/profit	(5,768)	63	44,586	38,881	(3,002)	35,879
Reportable segment assets	324,444	10,757	232,976	568,177	9,916	578,093
Reportable segment liabilities	(57,040)	(16,582)	(81,398)	(155,020)	(3,503)	(158,523)
Other segment information:						
Bank interest income	12	5	–	17	96	113
Unallocated						51
Total bank interest income						164
Share of profit of an associate	530	–	–	530	–	530
Gain on partial disposal of an associate	67	–	–	67	–	67
Depreciation	(12,255)	(645)	–	(12,900)	(3,122)	(16,022)
Unallocated						(329)
Total depreciation						(16,351)
Amortisation of land use rights	(174)	–	–	(174)	(440)	(614)
Amortisation of other intangible assets	(378)	–	–	(378)	–	(378)
Impairment loss on trade receivables	(735)	(300)	(887)	(1,922)	(1,033)	(2,955)
Reversal of impairment loss on inventories	–	–	–	–	2,215	2,215
Gain on disposal of property, plant and equipment	–	–	–	–	2,981	2,981
Gain arising from changes in fair value of investment properties	–	–	40,824	40,824	–	40,824
Interest in an associate	3,715	–	–	3,715	–	3,715
Additions to non-current assets	13,880	–	58,599	72,479	306	72,785

For the year ended 31 December 2017

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas *HK$'000*	Trading of electronic components *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Manufacture and sale of PE pipes *HK$'000*	Total *HK$'000*
Revenue from external customers	135,581	16,386	564	152,531	42,377	194,908
Reportable segment (loss)/profit	(4,981)	(6,229)	14,487	3,277	(2,440)	837
Reportable segment assets	434,180	16,146	42,839	493,165	83,826	576,991
Reportable segment liabilities	(172,801)	(4,388)	(7,686)	(184,875)	(24,319)	(209,194)
Other segment information:						
Bank interest income	34	22	–	56	26	82
Unallocated						10
Total bank interest income						92
Share of loss of an associate	(692)	–	–	(692)	–	(692)
Gain on disposal of subsidiaries	(1,238)	–	–	(1,238)	14,989	13,751
Depreciation	(10,502)	(839)	–	(11,341)	(6,170)	(17,511)
Unallocated						(539)
Total depreciation						(18,050)
Amortisation of land use rights	(128)	–	–	(128)	(517)	(645)
Unallocated of total amortisation of land use rights						(26)
Total amortisation of land use rights						(671)
Amortisation of other intangible assets	(983)	–	–	(983)	–	(983)
(Impairment loss)/reversal of impairment loss on trade receivables	(1,589)	–	–	(1,589)	5,135	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)
Gain arising from changes in fair value of investment properties	–	–	9,641	9,641	–	9,641
Interest in an associate	4,743	–	–	4,743	–	4,743
Additions to non-current assets	97,297	31	–	97,328	6,315	103,643
Unallocated						8,216
Total additions to non-current assets						111,859

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

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax and discontinued operations		
Total reportable segment's profit	**35,879**	837
Segment loss from discontinued operations	**3,002**	2,440
Unallocated other income and gains and losses	**(4,874)**	(8,315)
Corporate and other unallocated expenses	**(32,190)**	(6,377)
Finance costs	**(3,763)**	(4,359)
Consolidated loss before income tax from continuing operations	**(1,946)**	(15,774)

	2018	2017
	HK$'000	*HK$'000*
Assets		
Total reportable segment's assets	**578,093**	576,991
Cash and cash equivalents	**38,588**	10,841
Unallocated corporate assets	**55,933**	29,838
Consolidated total assets	**672,614**	617,670

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Total reportable segment's liabilities	**(158,523)**	(209,194)
Deferred tax liabilities	**(27,154)**	(8,396)
Unallocated corporate liabilities	**(63,910)**	(55,872)
Consolidated total liabilities	**(249,587)**	(273,462)

(c) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time, and earns management fee for natural gas transportation over time, and rental income which is recognised over the term of the relevant lease.

The Group derives revenue in the following product lines and geographical regions.

For the year ended 31 December 2018

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas *HK$'000*	Trading of electronic components *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Manufacture and sale of PE pipes *HK$'000*	Total *HK$'000*
Primary geographical markets						
Hong Kong	–	85,460	–	85,460	–	85,460
PRC	55,752	–	2,647	58,399	29,365	87,764
	55,752	85,460	2,647	143,859	29,365	173,224
Major products/services						
Sale of goods	32,107	85,460	–	117,567	29,365	146,932
Management fee for natural gas transportation	23,645	–	–	23,645	–	23,645
Rental income	–	–	2,647	2,647	–	2,647
	55,752	85,460	2,647	143,859	29,365	173,224

For the year ended 31 December 2017

Primary geographical markets						
Hong Kong	–	14,973	–	14,973	–	14,973
PRC	135,581	1,413	564	137,558	42,377	179,935
	135,581	16,386	564	152,531	42,377	194,908
Major products/services						
Sale of goods	135,581	16,386	–	151,967	42,377	194,344
Rental income	–	–	564	564	–	564
	135,581	16,386	564	152,531	42,377	194,908

The following table provides an analysis of the Group's revenue from external customers.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**85,460**	16,386
PRC (place of domicile)	**87,764**	178,522
	173,224	194,908

All non-current assets other than financial instruments were located in the PRC as at 31 December 2018 and 2017.

(d) Information about major customers

For the year ended 31 December 2018, revenue from a customer in trading of electronic components segment of HK$85,417,000 and a customer in transmission and distribution of natural gas segment of HK$23,419,000, and each contributed to 10% or more of the Group's total revenue.

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

5. REVENUE

An analysis of the Group's revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Revenue from contracts with customers		
Sales of electronic components	**85,460**	16,386
Transmission and distribution of natural gas	**55,752**	135,581
Revenue from other sources		
Gross rental income	**2,647**	564
	143,859	152,531
Discontinued operations		
Revenue from contracts with customers		
Sales of PE pipes	**29,365**	42,377
	173,224	194,908

The trade receivables from contracts with customers amounted to HK$31,442,000 (2017: HK$108,939,000) as at 31 December 2018 (Note 14).

6. OTHER INCOME AND GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Sundry income	**2,721**	4,124
Bank interest income	**68**	66
Reversal of impairment loss on property, plant and equipment	**2,002**	9,675
Written off of property, plant and equipment	**(1,352)**	(589)
Fair value loss on investments held for trading	**(101)**	(860)
Change in fair value of financial liabilities at fair value through profit or loss	**(4,896)**	(7,779)
Gain on disposal of subsidiaries	**–**	(1,238)
Exchange gains, net	**155**	–
	(1,403)	3,399

7. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Interest on bank loans and other borrowings	**2,696**	2,794
Finance lease interest	**1,067**	1,565
	3,763	4,359

8. LOSS BEFORE INCOME TAX

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

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Cost of inventories sold	**121,102**	125,925
Auditor's remuneration	**1,520**	1,420
Minimum operating lease payments in respect of land and buildings	**4,340**	3,617
Depreciation of property, plant and equipment		
– Owned	**8,197**	8,339
– Held under finance leases	**5,032**	3,541
	13,229	11,880
Equity-settled share-based payments to the consultants of the Group	**7,200**	–

(b) Discontinued operations

During the year, the Group decided to cease its manufacture and sales of PE pipes business in light of persistently net loss suffered by the Group. Plant and machinery and inventories related to this business have been disposed of or written off, and the employees have been made redundant during the year ended 31 December 2018. Consequently, the operation has been discontinued.

	2018	2017
	HK$'000	*HK$'000*
Revenue	**29,365**	42,377
Other Incomes	**3,773**	18,397
Expenses	**(36,140)**	(63,214)
Loss before income tax	**(3,002)**	(2,440)
Income tax	**–**	–
Loss for the year from discontinued operations	**(3,002)**	(2,440)
Operating cash flows	**(35,383)**	(22,061)
Investing cash flows	**2,675**	54,735
Financing cash flows	**–**	–
Total cash flows	**(32,708)**	32,674

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

9. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current tax – PRC		
– tax for the year	**357**	239
– over provision in respect of prior years	**(1,064)**	–
	(707)	239
Deferred tax liabilities		
– current year	**10,206**	4,830
Total income tax for the year	**9,499**	5,069

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Loss from continuing operations before income tax	**(1,946)**	(15,774)
Loss from discontinued operations before income tax	**(3,002)**	(2,440)
Loss before income tax	**(4,948)**	(18,214)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2017: 25%)	**(1,237)**	(4,553)
Effect of different tax rates of subsidiaries operating in Hong Kong	**2,186**	2,618
Tax effect of expenses not deductible for taxation purposes	**6,392**	8,174
Tax effect of non-taxable items	**(873)**	(1,709)
Tax effect of unused tax losses and other temporary differences not recognised	**4,968**	4,281
Utilisation of previously unrecognised tax losses	**(873)**	(3,742)
Over provision in respect of prior years	**(1,064)**	–
Income tax for the year	**9,499**	5,069

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data.

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(10,717)**	(20,732)

From continuing operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data.

	2018	2017
	HK$'000	*HK$'000*
Loss for the year from continuing and discontinued operations	**(10,717)**	(20,732)
Less: loss for the year from discontinued operations	**(3,002)**	(2,440)
Loss from continuing operations	**(7,715)**	(18,292)

The denominator used for both loss per share from continuing and discontinued operations is the weighted average number of ordinary shares of 1,006,900,000 (2017: 930,898,000) in issue during the year.

The computation of diluted losses per share for the years ended 31 December 2018 and 2017 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 2018 and 2017 are the same.

From discontinued operations

Basic and diluted losses per share from the discontinued operations HK$0.003 (2017: HK$0.0026) per share, based on the loss for the year from the discontinued operations.

Diluted earnings per share are the same as basic earnings per share for the years ended 31 December 2018 and 2017 since the denominators used are the same as those detailed above for both basic and diluted losses per share.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2018	2017
	HK$'000	*HK$'000*
Salaries and allowances	**24,646**	25,553
Retirement benefit scheme contributions	**2,126**	1,893
Equity-settled share-based payment expenses	**2,577**	10,626
	29,349	38,072
Staff costs, including directors' remuneration is attributable to:		
– Loss from continuing operations	**26,077**	34,462
– Loss from discontinued operations	**3,272**	3,610
	29,349	38,072

13. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**–**	1,333
Work in progress	**–**	805
Finished goods (net of provision of HK$Nil (2017: HK$2,344,000))	**2,748**	11,706
	2,748	13,844

During the year ended 31 December 2018, the Group made a reversal of provision of HK$2,215,000 (2017: provision of HK$1,948,000) to increase the carrying amount of finished goods to their net realisable value.

14. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**40,727**	145,770
Less: provision for impairment	**(9,285)**	(36,831)
	31,442	108,939

(a) The Group's trading terms from sale 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, credit terms are within 30 days to 60 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:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**36,831**	37,669
Amount written off during the year	**(28,597)**	–
Impairment loss recognised	**6,267**	4,065
Recovery of impairment loss previously recognised	**(3,312)**	(7,611)
Exchange realignment	**(1,904)**	2,708
At 31 December	**9,285**	36,831

During the year, the Group recognised the impairment loss of trade receivables of HK$4,264,000 (2017: HK$Nil) by using the lifetime expected credit loss provision to measure collectively for customers who are not being assessed individually under HKFRS 9. On the other hand, the Group individually assessed the credit loss of trade receivables which have been long outstanding and management assessed them to be irrecoverable. As at 31 December 2018, impairment loss of these trade receivables of HK$2,003,000 (2017: HK$4,065,000) was recognised. 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**7,039**	93,654
31 – 60 days	**2,603**	4,889
61 – 90 days	**4,935**	1,561
Over 90 days	**16,865**	8,835
	31,442	108,939

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

	2018	2017
	HK$'000	*HK$'000*
Not past due	**7,325**	6,752
Less than 31 days past due	**1,357**	88,833
31 – 60 days past due	**4,711**	1,911
61 – 90 days past due	**1,361**	1,420
Over 90 days but less than 1 year past due	**12,016**	4,545
More than 1 year past due	**4,672**	5,478
	24,117	102,187
	31,442	108,939

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

	2018	2017
	HK$'000	*HK$'000*
Other receivables and deposits	**50,526**	61,420
Finance lease deposits	**3,256**	4,853
Value added tax recoverable	**18,530**	4,066
Prepayments	**13,762**	21,689
	86,074	92,028
Less: Provision for impairment loss on other receivables and prepayments	**(957)**	(11,325)
	85,117	80,703

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**11,325**	10,528
Amount written off during the year	**(9,782)**	–
Exchange realignment	**(586)**	797
At 31 December	**957**	11,325

16. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**251**	91,412
31 – 60 days	**1,183**	317
61 – 90 days	**3,513**	25
Over 90 days	**17,136**	3,940
	22,083	95,694

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the year ended 31 December 2018 decreased when compared to the corresponding period in 2017. As disclosed in the announcement dated 19 April 2018, such decrease was mainly because the sales model of Fujian China Primary Energy Limited#, a subsidiary of the Company, changed from purchase and sale of natural gas to receiving of management fee for natural gas transportation in 2018. The change does not affect the current operating method, assets and the relevant profit. On the other hand, the revenue of the trading business increase a lot in 2018. The board (the "Board") of directors (the "Director(s)") believes that revenue of the Group will be 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 is now the core business of the Group. Operating performance of the natural gas business segment continued to grow in 2018. 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 2018. Our customers are mostly industrial customers.

With the Group's years of investment, experience and network in the natural gas business, the Group has been making good use of natural gas synergy effect in its business development, and has been focusing on natural gas-related clean energy projects. Natural gas combined heat and power cogeneration business is one of the Group's development direction of the Group. After years of research and negotiation, the Company's wholly-owned subsidiary, Yichang City Yiling District China Primary Thermal Power Limited#, has obtained the consent of Yichang City, Hubei Province, China to develop natural gas combined heat and power cogeneration business in Yiling District, Yichang City. The Group believes that with the development of natural gas combined heat and power cogeneration business and other natural gas-related clean energy businesses, it is expected that the Group's performance and profitability will be greatly improved in the future.

As a result of business transformation of the subsidiaries in Yichang, the manufacturing segment ceased to operate in the third quarter of 2018. In order to broaden the revenue sources of the Group, after years of investigation, the Group started its letting business in Yichang since 2017. Rental income became a new business segment of the Group. From September 2018 onwards, the land and buildings held by the Company's wholly-owned subsidiaries at Yao Ting District, Yichang City, the PRC (the "Property") will be named as China Primary Sky Valley Vehicle Parts Industrial Park# (中基天谷汽車零部件產業園) ("China Primary Sky Valley Industrial Park"). The naming is in line with the business transformation on the Property by the Group in 2017. China Primary Sky Valley Industrial Park locates nearby Yichang Sanxia Airport. The whole park's area is approximately 213,000 square metres and the area let out is approximately 87,000 square metres. The rest of the area is also arranging to let out. In order to facilitate the development of Yao Ting District by the Yichang City government, the naming of China Primary Sky Valley Industrial Park can make the position of the Property clearer. Together with systematic planning and renovation, the naming can implement the achievement of the target to earn rental income by continue letting out of the Property as disclosed in the 2017 annual report of the Company. New tenants are mostly manufacturers of vehicle parts and are moving into China Primary Sky Valley Industrial Park successively.

From November 2017 onwards, the Group commenced its trading business segment and was running smoothly in 2018. With the international trading platform in Hong Kong and the built up business relationship of the Group, the trading segment is growing steadily with variety of trading products such as natural gas and electronic components.

In view of the unstable global political environment, 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.

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.

The gross proceeds of the Winmaxi Shares Subscription is approximately HK$76.2 million. In the event that no appropriate acquisition and/or potential investment opportunities would be identified, the Company has applied / intended to apply proceeds towards general working capital (include payment of construction costs of natural gas pipelines of existing operations) of the Group as follows: (i) as to approximately HK$30.7 million for repay pipeline construction costs of Wuhu China Primary Natural

Gas Pipeline Company Limited#, a subsidiary of the Company; (ii) as to approximately HK$7.0 million for building costs of Wuhu Shi Da New Energy Technology Company Limited#, a subsidiary of the Company; (iii) as to approximately HK$3.0 million for building costs of Tengchong China Primary Energy Limited#, a subsidiary of the Company; (iv) as to approximately HK$4.0 million for investment in Yichang City Yiling District China Primary Thermal Power Limited#, a subsidiary of the Company; (v) as to approximately HK$25.0 million for the operation costs of the head office of the Company in 2018; and (vi) approximately HK$6.5 million for reserve of the Company for future expansion and investment opportunities.

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, 9 March 2018 and 4 April 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.

As disclosed in the announcement dated 12 February 2018, completion of the Asia Bravo Shares Subscription would take place within three business days after the conditions of the Asia Bravo Shares Subscription are fulfilled (or such other date as may be agreed between the parties). As the parties could not agree on the postponement of completion of the Asia Bravo Shares Subscription, the Asia Bravo Shares Subscription has been lapsed and would not be proceeded.

The Board considered that the lapse of the Asia Bravo Shares Subscription does not have any material adverse impact on the financial position and the business operations of the Group.

Details are set out in the announcements dated 12 February 2018, 15 February 2018, 22 February 2018 and 3 April 2018 of the Company.

Grant of share options

On 12 October 2018, the Board had resolved to grant share options (the "Share Options") to certain consultants of the Group to subscribe for a total of 90,000,000 ordinary shares of HK$0.0625 each (with exercise price of HK$0.71 per share) in the share capital of the Company under the share option scheme adopted by the Company on 8 May 2012.

Details are set out in the announcement dated 12 October 2018 of the Company.

EVENT AFTER THE REPORTING DATE

On 25 January 2019, China Primary (Shenzhen) Energy Technology Company Limited# (中基(深圳) 能源技術有限公司) (the "Seller"), a subsidiary of the Company, entered into an equity transfer agreement with Xinao Gas Development Company Limited# (新奧燃氣發展有限公司) (the "Purchaser"), an independent third party, pursuant to which, the Seller agreed to sell and the Purchaser agreed to purchase the 21% share capital of Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) held by the Seller at a consideration of RMB10,500,000. Upon completion of the transaction, Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) will no longer be an associated company of the Company. The transaction was completed on 12 February 2019.

FINANCIAL REVIEW

Total revenue was approximately HK$173,224,000 for the year ended 31 December 2018, which represented a decrease of approximately 11.1% when compared with last year's total revenue of approximately HK$194,908,000. The Board believes that revenue of the Group will be improved with the growing of the natural gas business and increase contribution from the rental and trading business.

During the year under review, audited loss before income tax was approximately HK$4,948,000 (2017: loss of approximately HK$18,214,000). The loss attributable to owners of the Company was approximately HK$10,717,000 (2017: loss of approximately HK$20,732,000). 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 2019 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 land and properties in Yichang will continue to be let out to generate rental income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, net assets of the Group were approximately HK$423,027,000 (2017: approximately HK$344,208,000) while its total assets were approximately HK$672,614,000 (2017: approximately HK$617,670,000) including cash and bank balances of approximately HK$38,588,000 (2017: approximately HK$10,841,000).

FUNDING ACTIVITIES DURING THE YEAR

Save for the Winmaxi Shares Subscription disclosed above, the Company did not carry out any other fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2018, current assets of the Group amounted to approximately HK$158,194,000 which included cash and bank balances of approximately HK$16,875,000 and approximately RMB19,074,000 (equivalent to HK$21,713,000), while current liabilities stood at approximately HK$206,231,000. The Group has borrowings of approximately HK$62,625,000. Equity attributable to owners of the Company amounted to approximately HK$402,736,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 15.5% (borrowings to equity attributable to owners of the Company) as of 31 December 2018.

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 2018, certain of the Group's investment properties were pledged as security for the Group's borrowing, 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 2018, the issued share capital of the Company was made up of 1,023,987,439 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year under review.

SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not made any significant investment during the year ended 31 December 2018. No material plan for future investment was noted as at the date of this annual results announcement.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 9 full-time employees working in Hong Kong and 152 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK$29,349,000. 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 2018, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2018 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 2018 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 2018. 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 2018.

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 2018 (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 2018, the Company 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 the Company does not compromise accountability and independent decision making for this since the Company has 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 one non-executive Director, Mr. Ji Jianghua and three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing.

Except for Mr. Ji Jianghua, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for 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, 21 March 2019

For identification only

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

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.