



中國基礎資源控股有限公司

CHINA PRIMARY RESOURCES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)



First Quarterly Report

2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to CHINA PRIMARY RESOURCES HOLDINGS LIMITED. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Revenue for the three months ended 31 March 2007 was approximately HK\$5,964,000, representing a decrease of approximately 56% from the corresponding period.

Loss attributable to shareholders for the same period amounted to approximately HK\$3,433,000 while it was profit of approximately HK\$564,000 in the corresponding period.

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2007.

UNAUDITED RESULTS

The board of Directors (the “Board”) of China Primary Resources Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2007 together with the comparative figures for the corresponding period as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March	
		2007 HK\$'000	2006 HK\$'000
Continuing operations:			
Revenue	2	5,964	13,536
Other revenue	4	191	4
Cost of trading merchandise sold		(4,700)	(11,182)
Raw materials and consumables used		(1,296)	–
Staff costs, including directors' remuneration		(575)	(606)
Depreciation		(510)	(194)
Amortisation on land use rights		(151)	(148)
Other operating expenses		(2,328)	(811)
		<hr/>	<hr/>
Operating (loss)/profit		(3,405)	599
Finance costs	5	(97)	(39)
		<hr/>	<hr/>
(Loss) /Profit before income tax		(3,502)	560
Income tax expense	6	–	–
		<hr/>	<hr/>
(Loss) /Profit after tax from continuing operations		(3,502)	560
		<hr/>	<hr/>

UNAUDITED CONSOLIDATED INCOME STATEMENT (continued)

	For the three months ended 31 March	
	2007	2006
<i>Notes</i>	HK\$'000	HK\$'000
Discontinued operations:		
Profit for the period from discontinued operations	—	4
(Loss)/Profit for the period	<u>(3,502)</u>	<u>564</u>
Attributable to:		
Equity holders of the Company	(3,433)	564
Minority interest	(69)	—
(Loss)/Profit for the period	<u>(3,502)</u>	<u>564</u>
Dividends	<u>—</u>	<u>—</u>
(Loss)/ Earnings per share for (loss)/profit from continuing and discontinued operations attributable to the equity holders of the Company during the period (2006: restated)	8	
Basic	<u>(HK0.05 cents)</u>	<u>HK0.01 cents</u>
Diluted	<u>N/A</u>	<u>HK0.01 cents</u>
(Loss)/ Earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company during the period (2006: restated)	8	
Basic	<u>(HK0.05 cents)</u>	<u>HK0.01 cents</u>
Diluted	<u>N/A</u>	<u>HK0.01 cents</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

The Company was incorporated in the Cayman Islands, as an exempted company which with limited liability under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001.

The financial statements are prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants, and the GEM Listing Rules. The financial statements are prepared under the historical cost convention.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the period ended 31 March 2007. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The accounting policies adopted in the condensed consolidated results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

2. Revenue

Revenue, which is also the Group's turnover, represents the total invoiced value of goods supplied and income from provision of services. Revenue recognized during the period is as follows:

	For the three months ended 31 March	
	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
Continuing operations:		
Sales of composite materials	4,837	13,536
Manufacturing and sales of PE/FRP Pipes	1,127	–
	<hr/>	<hr/>
Sales of goods	5,964	13,536
	<hr/>	<hr/>
Discontinued operations:		
Game-On-Demand service income	–	–
MMOG service income	–	19
	<hr/>	<hr/>
Provision of services	–	19
	<hr/>	<hr/>
Total Revenue	5,964	13,555
	<hr/> <hr/>	<hr/> <hr/>

3. Discontinued operations

As stated in the annual report 2006 of the Company, the Group discontinued the business line of Game-On-Demand services and MMOG services during the year ended 31 December 2006.

4. Other revenue – continuing operations

	For the three months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	142	4
Sundry income	49	–
	<u>191</u>	<u>4</u>

5. Finance costs – continuing operations

	For the three months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on		
– loans from a shareholder	–	39
– convertible bonds	97	–
	<u>97</u>	<u>39</u>

6. Income tax expense – continuing operations

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided as the Group did not generate any assessable profits in those jurisdictions during the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

No PRC profits tax has been provided as the subsidiary companies in PRC were either entitled to an exemption from PRC state and local corporate income tax or did not generate any assessable profits in the PRC during the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

7. Dividends

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

8. (Loss)/Earnings per share

The calculations of the basic and diluted (loss)/earnings per share is based on the following data:

	For the three months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
For continuing and discontinued operations based on the (loss)/profit for the period attributable to the equity holders of the Company	<u><u>(3,433)</u></u>	<u><u>564</u></u>
For continuing operations based on the (loss)/profit for the period from continuing operations less results attributable to minority interests	<u><u>(3,433)</u></u>	<u><u>560</u></u>
	2007	2006
	'000	'000
		(as adjusted)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic (loss)/earnings per share	<u><u>6,815,267</u></u>	5,182,942
Effect of dilutive potential ordinary shares:		
Warrants		<u>244,008</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share		<u><u>5,426,950</u></u>

Diluted loss per share for the three months ended 31 March 2007 has not been disclosed as the warrants, share options and convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

The weighted average number of shares for the purposes of calculating basic and diluted earnings per share for the period 2006 has been adjusted to reflect the share subdivision in 2006.

9. Capital and Reserves

Equity attributable to equity holders of the Company

	Equity attributable to equity holders of the Company										
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Statutory public welfare reserve	Accumulated losses	Warrants reserve	Exchange translation reserve	Minority interest	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 2006	5,914	69,497	-	-	2,851	1,425	(24,716)	473	888	-	56,332
Currency translation (Net expense recognised directly in equity)	-	-	-	-	-	-	-	-	(69)	-	(69)
Profit for the three months ended 31 March 2006	-	-	-	-	-	-	564	-	-	-	564
Total recognised income and expense for the three months ended 31 March 2006	-	-	-	-	-	-	564	-	(69)	-	495
Issuance of share capital	1,183	13,719	-	-	-	-	-	-	-	-	14,902
Rights share issue expenses	-	(91)	-	-	-	-	-	-	-	-	(91)
Balance at 31 March 2006	<u>7,097</u>	<u>83,125</u>	<u>-</u>	<u>-</u>	<u>2,851</u>	<u>1,425</u>	<u>(24,152)</u>	<u>473</u>	<u>819</u>	<u>-</u>	<u>71,638</u>
Balance at 1 January 2007	8,519	167,601	1,063	1,531	5,110	-	(31,007)	8,224	1,920	4,651	167,612
Currency translation (Net income recognised directly in equity)	-	-	-	-	8	-	-	-	-	-	8
Loss for the three months ended 31 March 2007	-	-	-	-	-	-	(3,433)	-	-	(69)	(3,502)
Total recognised income and expense for the three months ended 31 March 2007	-	-	-	-	8	-	(3,433)	-	-	(69)	(3,494)
Balance at 31 March 2007	<u>8,519</u>	<u>167,601</u>	<u>1,063</u>	<u>1,531</u>	<u>5,118</u>	<u>-</u>	<u>(34,440)</u>	<u>8,224</u>	<u>1,920</u>	<u>4,582</u>	<u>164,118</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

During the period under review, the Group continued to engage in the general trading of fibre glass reinforced plastic pipes (“FRP Pipes”), raw materials and composite materials and production of FRP Pipes and polyethylene pipes (“PE Pipes”) in the PRC.

Last year, we had installed two production lines for PE Pipes, the production of PE Pipes is running smoothly. However, the sale of FRP Pipes had no improvements, the management in Yichang had still sought for the ways of improving it.

On the other hand, our focus will be mainly on the plan of the development and integration of the mining business. The progress of existing mining businesses are:

- A. The project for the possible investment in a mining operation in Australia is now only subject to the finalization of the terms and conditions. For background information of this possible investment, please refer to the announcement dated 5 September 2006.
- B. In respect of the acquisition of equity interest in 新首鋼資源控股有限公司 (Xin Shougang Zi Yuan Holdings Limited), since the independent technical adviser commissioned by the Company has taken more than the expected time to complete the technical assessment report on the mining sites for inclusion in the circular, the valuer and the reporting accountants therefore require additional time to prepare their respective reports and financial information for inclusion in the circular. We had then applied to the Stock Exchange for an extension of time to despatch the circular to the shareholders to 30 June 2007. Detail of which is stated in our announcement dated 27 April 2007.

As at 31 March 2007, the Group continued in a position to develop the abovementioned new production line and mining business while keeping abreast of its core business.

Financial review

Total turnover and turnover from continuing operations was approximately HK\$5,964,000 for the period under review, which represented a decrease of 56% while compared with that of the corresponding period. The reduction of sale is mainly due to the drop of sale of FRP Pipes. The unaudited loss before income tax from continuing operations for the period under review was approximately HK\$3,502,000 but it was a profit of approximately HK\$560,000 in the corresponding period. The loss attributable to shareholders was approximately of HK\$3,433,000. The Board will still adopt the stringent cost control and maintain thin and effective overhead structure and prudently utilize the corporate resources to create wealth for the shareholders.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company, as at 31 March 2007, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

- (i) Long position in the ordinary shares of HK\$0.00125 each in the Company as at 31 March 2007:

Name of director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
Mr. Yu Hongzhi	Corporate (<i>Note</i>)	2,576,194,460	37.8%

Note:

These shares are held by Future Advance Holdings Limited ("Future Advance"). Future Advance is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi) and as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance.

- (ii) Long position in the underlying shares or debentures of the Company as at 31 March 2007:

Name of directors	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Mr. Yu Hongzhi	Corporate	Convertible bond (<i>Note 1</i>)	313,503,280	4.6%
	Beneficial	Share option (<i>Note 2</i>)	76,000,000	1.1%
Ms. Ma Zheng	Beneficial	Share option (<i>Note 2</i>)	54,000,000	0.8%
Mr. Chiu Winerthan	Beneficial	Share option (<i>Note 2</i>)	20,000,000	0.3%

Notes:

- On 27 April 2006, by an instrument dated the same date, the Company created and issued in favour of Future Advance a convertible bond in the principal amount of HK\$6,270,065.6 pursuant to a subscription agreement dated 24 February 2006 entered into between the Company and Future Advance. Details of which have been set out in the announcement dated 28 February 2006. These shares represent the maximum number of new shares, which may be converted from the said convertible bond held by Future Advance as at 31 March 2007. Mr. Yu Hongzhi is therefore deemed to be interested in these underlying shares under the SFO as well.
- On 3 April 2006, a total of 7,500,000 share options were conditionally granted as to 3,800,000 share options to Mr. Yu Hongzhi, as to 2,700,000 share options to Ms. Ma Zheng and as to 1,000,000 share options to Mr. Chiu Winerthan pursuant to a share option scheme adopted on 28 November 2001 by a written resolution of the then shareholders of the Company which confers discretionary power to the Directors to grant options to any Eligible Persons (including the full-time employees and any director of the Company) as defined in share option scheme. Details of the share options granted are set out under the heading "Share Option" below. As a result of the share subdivision becoming effective on 1 August 2006, each option granted has been adjusted to the effect of conferring the right to subscribe for 20 subdivided shares. All the options granted then became unconditional when the listing approval dated 26 September 2006 in respect of the shares which may fall to be allotted and issued upon the exercise of the share options granted to Mr. Yu Hongzhi was obtained from the Listing Committee of the Stock Exchange.

Save as disclosed above, as at 31 March 2007, none of the directors and chief executive of the Company had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share Option

On 17 March 2004, the Company forfeited all the outstanding share options granted from a Pre-IPO share option scheme (the “Pre-Scheme”) adopted by the Company on 28 November 2001, and that all outstanding share options granted from the Pre-Scheme were cancelled and extinguished. For further details of these, please refer to the announcement dated 17 March 2004. As at 31 March 2007, there were no share options outstanding under the Pre-Scheme.

On the same date as the adoption of the aforesaid Pre-Scheme, a further share option scheme (the “Post-Scheme”) was also approved by the Company. The Post-Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Post-Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes (including the Pre-Scheme) of the Company must not exceed 30% of the shares in issue from time to time. The Post-Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Post-Scheme was amended and adopted by the shareholders at the annual general meeting of the Company held on 16 April 2003. The amendment involved the extension of the definition of eligible person in the Post-Scheme to include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group.

At 31 March 2007, the number of shares in respect of which options had been granted under the scheme was 176 million (three months ended 31 March 2006: Nil), representing 2.58 per cent (three months ended 31 March 2006: Nil) of the shares of the Company in issue at the date of this report. The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10 per cent of the shares of the Company in issue as at the date of approval of the scheme, without prior approval from the Company's shareholders. However, the total number of shares available for issue under the scheme is approximately 681,246,720, representing approximately 10% of the issued share capital as at the date of this report. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1 per cent of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1 per cent of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares on the Commencement Date (as defined in the Post-Scheme), which must be a trading day, and (ii) the average of the quoted closing price of the Company's shares for the five trading days immediately preceding the Commencement Date (as defined in the Post-Scheme). Any options granted under the Post-Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Post-Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

Details of the share options conditionally granted by the Company pursuant to the Post-Scheme and the options outstanding as at 31 March 2007 were as follows:

Grantees	Date granted	Balance	Granted during the period	Exercised during the period	Lapsed during the period	Balance	Period during which the options are exercisable	Exercise price per share
		as at 1 January 2007				as at 31 March 2007		
		'000				'000		
Mr. Yu Hongzhi (Director)	3 April 2006	3,800	-	-	-	3,800	3 April 2006 to 27 November 2011	HK\$0.053
Ms. Ma Zheng (Director)	3 April 2006	2,700	-	-	-	2,700	3 April 2006 to 27 November 2011	HK\$0.053
Mr. Chiu Winerthan (Director)	3 April 2006	1,000	-	-	-	1,000	3 April 2006 to 27 November 2011	HK\$0.053
Employees	3 April 2006	1,300	-	-	-	1,300	3 April 2006 to 27 November 2011	HK\$0.053
		<u>8,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,800</u>		

Notes :

- As a result of the share subdivision becoming effective on 1 August 2006, each options granted has been conferred the right to the relevant optionholders to subscribe for 20 subdivided shares.
- All the options granted then became unconditional when the listing approval dated 26 September 2006 in respect of the shares which may fall to be allotted and issued upon the exercise of the share options granted to Mr. Yu Hongzhi was obtained from the Listing Committee of the Stock Exchange.

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2007, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the directors and chief executives:

- (i) Long position in the ordinary shares of HK\$0.00125 each in the Company as at 31 March 2007:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of issued share capital
Future Advance Holdings Limited	Beneficial	2,576,194,460	37.8%
China Zong Heng Holdings Limited	Corporate (<i>Note</i>)	2,576,194,460	37.8%

Note:

These shares are held by Future Advance. Future Advance is the only substantial shareholder which is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi), as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, as to 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by Mr. Zhang Lei), as to 13% by Mr. Wu Yong Jin and as to the remaining 10% by Ms. Ma Yi.

(ii) Long position in the underlying shares or debentures of the Company as at 31 March 2007:

Name of shareholders	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Future Advance Holdings Limited	Beneficial	Convertible bond (<i>Note 1</i>)	313,503,280	4.6%
China Zong Heng Holdings Limited	Corporate	Convertible bond (<i>Note 1</i>)	313,503,280	4.6%
胡玉 (Ms. Hu Yu)#	Beneficial	Warrants (<i>Note 2</i>)	473,088,000	6.9%

Notes:

1. These shares are held by Future Advance. Future Advance is the only substantial shareholder which is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi) and as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance.
2. On 18 August 2005, 胡玉 (Ms. Hu Yu)#, a private investor of the Company, entered into a warrant placing agreement with the Company pursuant to which 胡玉 (Ms. Hu Yu)# is entitled to subscribe for 23,654,400 shares at an initial exercise price of HK\$0.32 per share within a period of two years commencing from the date of issue of the warrants which was 4 October 2005. Due to the share subdivision effective on 1 August 2006, each warrant has been adjusted to the effect of conferring right to 胡玉 (Ms. Hu Yu)# the right to subscribe for 20 subdivided share and the exercise price was adjusted to HK\$0.015 per subdivided share on the close of the business on 31 July 2006.

Save as disclosed above, as at 31 March 2007, the directors are not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Competition and conflict of interests

Mr. Yu Hongzhi, the executive director of the Company, is the director and legal representative of 宜昌弘訊管業有限公司 (“Yichang HongXun Conduit and Calling Company Limited”), which is engaged in selling and producing PE Pipes in China. Mr. Yu Hongzhi was not the controlling shareholder of 宜昌弘訊管業有限公司. Save as disclosed, as at 31 March 2007, none of the Directors, management shareholders, substantial shareholders and any of their respective associates has engaged in any business that competes or may compete directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group during the three months ended 31 March 2007.

Audit committee

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Gao Sheng Yu who are the independent non-executive Directors of the Company. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group. The audit committee has reviewed the Group's unaudited results for the three months ended 31 March 2007 and has provided advice and comments thereon.

Remuneration committee

The remuneration committee of the Company was established on 1 June 2005. The function of the remuneration committee is to consider and recommend to the Board on the Group's remuneration policy and structure for all remuneration of executive directors and senior management and to review and determine the remuneration packages of the executive directors and senior management. The remuneration committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Gao Sheng Yu who are the independent non-executive Directors of the Company.

Purchase, sale or redemption of securities

The Company had not redeemed any of its shares during the period ended 31 March 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period ended 31 March 2007.

By Order of the Board
China Primary Resources Holdings Limited
Yu Hongzhi
Chairman

Hong Kong, 10 May 2007

For identification purpose only. The English transliteration of the Chinese names in this announcement are included for information only, and should not be regarded as the official English names of such Chinese names.

As at the date of this report, the Board comprises Mr. YU Hongzhi, Ms. MA Zheng and Mr. CHIU Winerthan who are the executive Directors, Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. GAO Sheng Yu who are the independent non-executive Directors.