



First Quarterly Report

2008



**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)*



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*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***

Turnover for the three months ended 31 March 2008 was approximately HK\$41,231,000, representing an increase of approximately 591% from the corresponding period.

Loss attributable to shareholders for the same period amounted to approximately HK\$70,292,000 while it was loss of approximately HK\$3,433,000 in the corresponding period.

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2008.

## 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 2008 together with the comparative figures for the corresponding period as follows. The consolidated first quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2008	2007
	Notes	HK\$'000	HK\$'000
Turnover	2	41,231	5,964
Other revenue and gain	3	348	191
Cost of inventories		(39,827)	(5,996)
Staff costs, including directors' remuneration		(45,566)	(575)
Depreciation		(431)	(510)
Amortisation on land use rights		(171)	(151)
Other operating expenses		(4,018)	(2,328)
Share of profits less losses of associates		(15,692)	–
<b>Operating loss</b>		<b>(64,126)</b>	<b>(3,405)</b>
Finance costs	4	(6,237)	(97)
<b>Loss before income tax</b>		<b>(70,363)</b>	<b>(3,502)</b>
Income tax	5	–	–
<b>Loss for the period</b>		<b>(70,363)</b>	<b>(3,502)</b>



	<b>For the three months ended 31 March</b>	
	<b>2008</b>	2007
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Attributable to:		
Equity holders of the Company	<b>(70,292)</b>	(3,433)
Minority interests	<b>(71)</b>	(69)
	<hr/>	<hr/>
<b>Loss for the period</b>	<b>(70,363)</b>	(3,502)
	<hr/> <hr/>	<hr/> <hr/>
<b>Dividend</b>	6	–
	<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share of loss attributable to the equity holders of the Company during the period</b>	7	
Basic	<b>(HK0.94 cents)</b>	(HK0.05 cents)
	<hr/> <hr/>	<hr/> <hr/>
Diluted	<b>N/A</b>	N/A
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE 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 incorporated the financial statements of the Company and its principal subsidiaries for the period ended 31 March 2008. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The accounting policies adopted in the consolidated results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or before 1 January 2008. The adoption of such standards did not have material effect on these financial statements.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2008



## 2. Turnover

Turnover represents the sales value of goods supplied/services provided to customers and is analysed as follows:

	For the three months ended 31 March	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Sales of composite materials	32,612	4,837
Sale of PE/FRP Pipes	8,619	1,127
	<hr/>	<hr/>
Sale of goods	41,231	5,964
	<hr/>	<hr/>
<b>Total</b>	<b>41,231</b>	<b>5,964</b>
	<hr/> <hr/>	<hr/> <hr/>

## 3. Other revenue and gain

	For the three months ended 31 March	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Bank interest income	345	142
Sundry income	3	49
	<hr/>	<hr/>
	348	191
	<hr/> <hr/>	<hr/> <hr/>



#### 4. Finance costs

	For the three months ended 31 March	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on convertible bonds wholly repayable within five years	5,046	97
Imputed interest on convertible preferred shares	1,191	–
	<hr/>	<hr/>
	<b>6,237</b>	<b>97</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 5. Income tax

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 2008 (three months ended 31 March 2007: 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 2008 (three months ended 31 March 2007: Nil).

#### 6. Dividend

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).





## 7. Loss per share

The calculation of basic loss per share is based on the loss for the three months ended 31 March 2008 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the three months ended 31 March 2008.

The calculation of diluted loss per share is based on the loss for the three months ended 31 March 2008 attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, convertible preferred shares, share options and warrants. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the three months ended 31 March 2008, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted loss per share are based on the following data:

	<b>For the three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to the equity holders of the Company for calculation of basic loss per share	<b>(70,292)</b>	<u><u>(3,433)</u></u>
Interest on convertible bonds	<b>5,046</b>	
Interest on convertible preferred shares	<b>1,191</b>	
Income tax effect	<b>(1,012)</b>	
Loss for the period attributable to the equity holders of the Company for calculation of diluted loss per share	<b><u><u>(65,067)</u></u></b>	



**For the three months  
ended 31 March**

<b>2008</b>	2007
<b>'000</b>	'000
<b>(Unaudited)</b>	(Unaudited)

**Number of shares**

Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<b>7,475,355</b>	<b>6,815,267</b>
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Effect of dilution – weighted average number of ordinary shares:

Warrants and share options	–
Convertible bonds	<b>1,636,508</b>
Convertible preferred shares	<b>2,802,235</b>

Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	<b>11,914,098</b>
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Diluted loss per share for the three months ended 31 March 2008 and 31 March 2007 have not been disclosed as the convertible bonds, convertible preferred shares, share options and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.

## 8. Capital and Reserves

### Equity attributable to equity holders of the Company

	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred share reserve	Retained profits/ losses	Warrants	Exchange translation reserve	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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>
Balance at 1 January 2008	9,344	188,251	18,985	-	5,110	753,639	1,084,976	7,619	12,954	3,703	2,084,581
Currency translation (Net income recognised directly in equity)	-	-	-	-	-	-	-	-	108,156	81	108,237
Loss for the three months ended 31 March 2008	-	-	-	44,197	-	-	(70,292)	-	-	(71)	(26,166)
Total recognised income and expense for the three months ended 31 March 2008	-	-	-	44,197	-	-	(70,292)	-	108,156	10	82,071
Balance at 31 March 2008	<u>9,344</u>	<u>188,251</u>	<u>18,985</u>	<u>44,197</u>	<u>5,110</u>	<u>753,639</u>	<u>1,014,684</u>	<u>7,619</u>	<u>121,110</u>	<u>3,713</u>	<u>2,166,652</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and future outlook**

During the period under review, the Group continued to engage in (i) 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”) and (ii) mining businesses and property development through its interest in associates, and operates primarily in the markets of PRC.

As stated in our 2007 annual report, our focus will be development and integration of the mining business. On 23 April 2008, the acquisition of the mining company in Mongolia was completed. The management is now seeking professional advice on how to initiate the operation of this project as soon as practicable. Other than that, as reported by the management in our associated company in Yichang that the operation of the iron mine project was running smoothly.

As at 31 March 2008, 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**

Turnover was approximately HK\$41,231,000 for the period under review, which represented an increase of 591% while compared with that of the corresponding period. The increase in sale was mainly due to the increase in sale of PE Pipes, which was a new business to the Group in the first quarter 2007. The unaudited loss before income tax for the period under review was approximately HK\$70,363,000 while the loss before income tax for corresponding period was approximately HK\$3,502,000. The loss attributable to shareholders was approximately HK\$70,292,000. The loss for the period under review was mainly attributable to (i) the share of the loss of the associated company of approximately HK\$15,692,000 and (ii) non-recurring expenses of approximately HK\$44,197,000 which was the cost of 681,000,000 share options granted to the directors and employees of the Group on 8 January 2008. 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 2008, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations and future development. In addition, the funds obtained from Lehman Brothers Commercial Corporation Asia Limited will provide the Group with extra funds for the mining business in Yichang.

## ***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 2008, 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 2008:*

Name of director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	54,000,000	0.72%

*Note:*

Ms. Ma Zheng is holding 12.5% of the equity interest of Future Advance Holdings Limited ("Future Advance") and Future Advance beneficially owned 34.46% of the equity interest of the Company. In addition, Ms. Ma Zheng is an executive director of the Company and the sole director of Future Advance.



(ii) *Long position in the underlying shares or debentures of the Company as at 31 March 2008:*

Name of directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share Option ( <i>Note</i> )	20,000,000	0.27%
Mr. Chiu Winerthan	Beneficial	Share Option ( <i>Note</i> )	10,000,000	0.13%
Mr. Liu Weichang	Beneficial	Share Option ( <i>Note</i> )	3,000,000	0.04%
Mr. Wan Tze Fan Terence	Beneficial	Share Option ( <i>Note</i> )	3,000,000	0.04%

*Note:*

On 8 January 2008, Ms. Ma Zheng, the sole director of Future Advance and an executive Director, has been granted 20,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 20,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

On 8 January 2008, Mr. Chiu Winerthan, an executive Director, has also been granted 10,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 10,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

On 8 January 2008, Mr. Liu Weichang, an independent non-executive Director, has also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

On 8 January 2008, Mr. Wan Tze Fan Terence, an independent non-executive Director, has also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.




Save as disclosed above, as at 31 March 2008, none of the directors and chief executive of the Company had any other 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 2008, 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 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 of the 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.



As at 31 March 2008, the number of shares in respect of which options had been granted under the Post-Scheme was 681 million (three months ended 31 March 2007: 176 million), representing 9.1% (three months ended 31 March 2007: 2.58%) of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the Post-Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Post-Scheme, without prior approval from the Company's shareholders. 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% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% 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 granted by the Company pursuant to the Post-Scheme and the options outstanding as at 31 March 2008 were as follows:

Grantees	Date granted	Balance		Exercised during the period	Lapsed during the period	Balance		Period during which the options are exercisable	Exercise price per share
		as at 1 January 2008	Granted during the period			as at 31 March 2008			
Ms. Ma Zheng <i>(Director)</i>	8 January 2008	-	20,000	-	-	20,000	8 July 2008 to 27 November 2011	HK\$0.22	
Mr. Chiu Winerthan <i>(Director)</i>	8 January 2008	-	10,000	-	-	10,000	8 July 2008 to 27 November 2011	HK\$0.22	
Mr. Wan Tze Fan Terence <i>(Director)</i>	8 January 2008	-	3,000	-	-	3,000	8 July 2008 to 27 November 2011	HK\$0.22	
Mr. Liu Weichang <i>(Director)</i>	8 January 2008	-	3,000	-	-	3,000	8 July 2008 to 27 November 2011	HK\$0.22	
Employees	8 January 2008	-	645,000	-	-	645,000	8 July 2008 to 27 November 2011	HK\$0.22	
		<u>-</u>	<u>681,000</u>	<u>-</u>	<u>-</u>	<u>681,000</u>			

## ***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 2008, 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 2008:*

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of issued share capital</b>
Future Advance Holdings Limited	Beneficial	2,576,194,460	34.46%
China Zong Heng Holdings Limited	Corporate (Note 1)	2,576,194,460	34.46%
Mr. Yu Hongzhi	Corporate (Note 1)	2,576,194,460	34.46%
	Beneficial	76,000,000	1.02%
	Subtotal:	2,652,194,460	35.48%
APAC Resources Limited	Corporate	862,912,520	11.54%
Super Grand Investments Limited ("Super Grand")	Beneficial (Note 2)	862,912,520	11.54%
胡玉女士 (Ms. Hu Yu) <sup>#</sup>	Beneficial	473,088,000	6.33%



*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), as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, and 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.
2. These shares are held by Super Grand and Super Grand is the wholly-owned subsidiary of APAC Resources Limited, the issued shares of which are listed on the main board of the Stock Exchange.

(ii) *Long position in the underlying shares or debentures of the Company as at 31 March 2008:*

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Future Advance Holdings Limited	Beneficial	Convertible bond (Note 1)	313,503,280	4.19%
China Zong Heng Holdings Limited	Corporate	Convertible bond (Note 1)	313,503,280	4.19%
Lehman Brothers Holdings Inc.	Beneficial	Convertible Bonds (Notes 2 & 4)	1,323,004,864	17.70%
Great Ocean Real Estate Limited	Beneficial	Preferred Shares (Notes 3 & 4)	2,802,235,294	37.49%
Mr. Zhang Zheng (張征先生)	Corporate	Preferred Shares (Notes 3 & 4)	2,802,235,294	37.49%



*Notes:*

1. 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\$6,270,065.60 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 2008.
2. The underlying shares are held by Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”), the ultimate beneficial owner of which is Lehman Brothers Holdings Inc.. The total number of shares to which Lehman Brothers are entitled under the Convertible Bonds has taken into account the existing issued share capital of the Company and all outstanding securities which may be convertible into or carry rights to subscribe for new shares. Based on the existing issued share capital and assuming full conversion of the convertible bonds held by Future Advance (see section (i) note 1 above) and exercise in full of all other securities carrying rights to subscribe for new shares including warrants and share options and other convertible securities convertible into new shares of the Company outstanding as at 31 March 2008, the maximum number of new shares to be issued upon full conversion of the Convertible Bonds is 1,323,004,864 shares, representing 10% of the issued share capital of the Company as enlarged by the full conversion of the aforesaid convertible securities. Details of which are set out in the circular dated 5 September 2007.
3. These underlying shares are held by Great Ocean Real Estate Limited (“GORE”), a company incorporated in the British Virgin Islands with limited liability, and Mr. Zhang Zheng (張征), is the sole beneficial owner of GORE. The Preferred Shares issued is carry conversion right convertible into ordinary shares of HK\$0.00125 each of the Company at the initial conversion rate of 1:1, subject to adjustments.
4. It is on 26 October 2007 and 31 October 2007, with all the conditions being fulfilled, the creation and issuance of the Preferred Shares and Convertible Bonds completed respectively.



Save as disclosed above, as at 31 March 2008, 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 director of the Company's subsidiary of Yichang Fulianjiang Joint Composite Limited (宜昌富連江複合材料有限公司), is the director and legal representative of 宜昌弘訊管業有限公司 (“Yichang HongXun Conduit and Calling Company Limited”)<sup>#</sup>, 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 2008, 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 2008.



### ***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. Wan”), Mr. Liu Weichang (“Mr. Liu”) and Mr. Chung Chin Keung (“Mr. Chung”) 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 2008 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, Mr. Liu and Mr. Chung 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 2008. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period ended 31 March 2008.

By Order of the Board

**China Primary Resources Holdings Limited**

**Ma Zheng**

*Chairman*

Hong Kong, 9 May 2008

*# For identification purpose only. The English transliteration of the Chinese names in this report 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 Ms. MA Zheng, Mr. CHIU Winerthan and Mr. WONG Pui Yiu who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. CHUNG Chin Keung who are the independent non-executive Directors.*