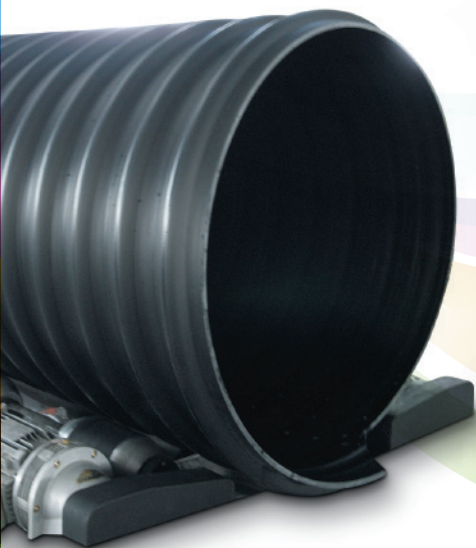


Interim REPORT 2011



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)

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This report, for which the directors (the “Directors”) of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

HIGHLIGHTS

Turnover for the six months ended 30 June 2011 was approximately HK\$48,287,000 (six months ended 30 June 2010: approximately HK\$70,271,000), representing a decrease of approximately 31.3% from the corresponding period of last year.

Loss attributable to owners of the Company reduced to approximately HK\$13,898,000 while it was loss of approximately HK\$19,890,000 in the corresponding period of last year.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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 (collectively referred to as the “Group”) for the six months ended 30 June 2011 together with the comparative figures as follows. The consolidated interim financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

**UNAUDITED CONDENSED CONSOLIDATED INCOME
STATEMENT**

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Turnover	2	8,453	32,115	48,287	70,271
Other income and gain	3	13	45	87	75
Cost of inventories sold		(8,930)	(24,708)	(47,822)	(60,152)
Staff costs, including directors' remuneration		(1,882)	(1,510)	(3,484)	(2,947)
Depreciation		(1,273)	(754)	(2,524)	(1,480)
Amortisation of land use rights		(188)	(178)	(370)	(353)
Other operating expenses		(3,461)	(5,552)	(7,192)	(10,948)
Finance costs	4	(11)	(5,682)	(880)	(10,926)
Loss before income tax	5	(7,279)	(6,224)	(13,898)	(16,460)
Income tax credit	6	-	186	-	727
Loss for the period from continuing operations		(7,279)	(6,038)	(13,898)	(15,733)
Discontinued operations					
Loss for the period from discontinued operations	5(b)	-	(4,144)	-	(5,086)
Loss for the period		<u>(7,279)</u>	<u>(10,182)</u>	<u>(13,898)</u>	<u>(20,819)</u>
Loss attributable to:					
Owners of the Company		(7,279)	(9,709)	(13,898)	(19,890)
Non-controlling interests		-	(473)	-	(929)
		<u>(7,279)</u>	<u>(10,182)</u>	<u>(13,898)</u>	<u>(20,819)</u>
Basic and diluted loss per share					
from continuing and discontinued operations	8	<u>(0.30 cents)</u>	<u>(0.79 cents)</u>	<u>(0.58 cents)</u>	<u>(1.62 cents)</u>
from continuing operations	8	<u>(0.30 cents)</u>	<u>(0.49 cents)</u>	<u>(0.58 cents)</u>	<u>(1.28 cents)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	<u>(7,279)</u>	<u>(10,182)</u>	<u>(13,898)</u>	<u>(20,819)</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	<u>4,919</u>	<u>5,138</u>	<u>8,404</u>	<u>5,879</u>
Other comprehensive income for the period	<u>4,919</u>	<u>5,138</u>	<u>8,404</u>	<u>5,879</u>
Total comprehensive income for the period	<u>(2,360)</u>	<u>(5,044)</u>	<u>(5,494)</u>	<u>(14,940)</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	<u>(2,360)</u>	<u>(5,160)</u>	<u>(5,494)</u>	<u>(14,680)</u>
Non-controlling interests	<u>-</u>	<u>116</u>	<u>-</u>	<u>(260)</u>
	<u>(2,360)</u>	<u>(5,044)</u>	<u>(5,494)</u>	<u>(14,940)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

		30 June 2011	31 December 2010
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		162,054	154,720
Land use rights		31,673	31,330
Deposits paid		–	8,233
Total non-current assets		193,727	194,283
Current assets			
Inventories		43,436	24,466
Trade and bills receivables	<i>11</i>	47,257	53,517
Other receivables, deposits and prepayments		171,099	236,168
Cash and cash equivalents		18,997	45,930
		280,789	360,081
Assets classified as held for sale	<i>10</i>	207,612	207,612
Total current assets		488,401	567,693
Total assets		682,128	761,976
Current liabilities			
Trade payables	<i>12</i>	10,656	5,024
Other payables and accruals		11,175	13,463
Convertible bonds	<i>13</i>	246,250	246,250
Bank borrowings		–	77,698
		268,081	342,435
Liabilities associated with assets classified as held for sale	<i>10</i>	29,510	29,510
Total current liabilities		297,591	371,945
Net current assets		190,810	195,748
Total assets less current liabilities		384,537	390,031

	30 June	31 December
	2011	2010
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	19	19
	<hr/>	<hr/>
Total non-current liabilities	19	19
	<hr/>	<hr/>
Total liabilities	297,610	371,964
	<hr/>	<hr/>
NET ASSETS	384,518	390,012
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	<i>14</i> 30,180	30,180
Reserves	320,433	325,927
	<hr/>	<hr/>
Equity attributable to owners of the Company	350,613	356,107
Non-controlling interests	33,905	33,905
	<hr/>	<hr/>
TOTAL EQUITY	384,518	390,012
	<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Share capital	Share premium	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred shares reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
Balance at 1 January 2010	15,370	365,726	17,922	38,031	5,110	753,639	188,018	(1,008,890)	33,257	408,183
Loss for the period	-	-	-	-	-	-	-	(19,890)	(929)	(20,819)
Other comprehensive income	-	-	-	-	-	-	5,210	-	669	5,879
Total comprehensive income	-	-	-	-	-	-	5,210	(19,890)	(260)	(14,940)
Balance at 30 June 2010	15,370	365,726	17,922	38,031	5,110	753,639	193,228	(1,028,780)	32,997	393,243

Equity attributable to owners of the Company

	Share capital	Share premium	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred shares reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
Balance at 1 January 2011	30,180	443,564	17,922	33,618	5,110	-	53,127	(227,414)	33,905	390,012
Loss for the period	-	-	-	-	-	-	-	(13,898)	-	(13,898)
Other comprehensive income	-	-	-	-	-	-	8,404	-	-	8,404
Total comprehensive income	-	-	-	-	-	-	8,404	(13,898)	-	(5,494)
Lapse of share options	-	-	-	(33,618)	-	-	-	33,618	-	-
Balance at 30 June 2011	30,180	443,564	17,922	-	5,110	-	61,531	(207,694)	33,905	384,518

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**

	Six months ended 30 June 2011 <i>HK\$'000</i>	Six months ended 30 June 2010 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	35,224	(50,474)
Net cash (used in)/generated from investing activities	(1,804)	20,815
Net cash (used in)/generated from financing activities	(61,082)	50,890
Net increase/(decrease) in cash and cash equivalents	(27,662)	21,231
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	45,931	76,071
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	729	216
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,998	97,518
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	18,998	97,518

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene ("PE") pipes that operates primarily in the markets of the People's Republic of China (the "PRC"). As set out in Note 5(b), the Group is in the process of disposing of the mining business to the holder of the Company's Convertible Bonds.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirement of Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention.

The condensed consolidated financial statements incorporated the financial statements of the Company and its principal subsidiaries for the period ended 30 June 2011. 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 2010.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2011. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

2. Turnover

Turnover, which is also revenue, represents the sales value of goods supplied to customer. An analysis of the Group's turnover from its continuing operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Continuing operations				
Sales of PE/FRP Pipes	8,052	27,000	21,225	45,540
Sales of composite materials	401	5,115	27,062	24,731
	<u>8,453</u>	<u>32,115</u>	<u>48,287</u>	<u>70,271</u>

3. Other income and gain

	Three months ended 30 June		Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Continuing operations				
Bank interest income	11	9	23	36
Sundry income	2	36	64	39
	<u>13</u>	<u>45</u>	<u>87</u>	<u>75</u>

4. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Continuing operations				
Interest expenses on bank borrowing wholly repayable within five years	11	740	880	1,042
Imputed interest expenses on convertible bonds maturing within five years	-	4,942	-	9,884
	<u>11</u>	<u>5,682</u>	<u>880</u>	<u>10,926</u>

5. Loss before income tax

(a) Continuing operations

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:				
Minimum lease payments under operating lease charges in respect of land and buildings	(413)	(537)	(943)	(1,063)
Depreciation (<i>Note</i>)	(2,841)	(1,799)	(6,465)	(3,563)
Gain/(Loss) on disposal of property, plant and equipment	55	(23)	55	(2,420)
	<u>55</u>	<u>(23)</u>	<u>55</u>	<u>(2,420)</u>

Note: The above depreciation charges for three months and six months ended 30 June 2011 included an amount of HK\$1,568,000 and HK\$3,941,000 (three months and six months ended 30 June 2010: HK\$1,045,000 and HK\$2,083,000) charged to cost of inventories sold on the face of the unaudited condensed consolidated income statement.

(b) Discontinued operations

During 2010, the Group started the process to dispose of its mining operations which are represented by a 12.21% equity interest in the registered paid up capital of Xin Shougang Zi Yuan Holdings Limited (新首鋼資源控股有限公司) (“Xin Shougang”), a company established in the PRC with limited liability, and the entire equity interest in Zhong Ping Resources Holdings Limited (“Zhong Ping”), a company incorporated in the British Virgin Islands (“BVI”) and its subsidiary (“Zhong Ping Group”) (collectively the “Disposal Group”).

Xin Shougang and its subsidiary are principally engaged in mining business. The principal assets of Xin Shougang as at the date of disposal were the exclusive rights to invest in, develop and to apply for the mining rights for the mining sites with mainly iron minerals located at Yichang City, the PRC.

On 2 December 2010, the Group completed the disposal of its 12.21% equity interest in Xin Shougang, the consideration of which included a cash payment of approximately HK\$25.3 million and the transfer to the Company the entire non-voting redeemable convertible preferred shares (“CPS”) issued by the Company by Great Ocean Real Estate Limited, the sole shareholder of these shares, for repurchase and cancellation by the Company. The disposal of Xin Shougang resulted in a loss of approximately HK\$26.5 million and the repurchase and cancellation of CPS resulted in a gain of approximately HK\$10.7 million to the Group. Details of these transactions are set out in the Company’s circular and announcement dated 8 June 2010 and 2 December 2010 respectively.

On 12 November 2010, independent shareholders of the Company passed a resolution at an extraordinary general meeting to approve the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators of Lehman Brothers appointed by the order of the court of First Instance of Hong Kong (the “Liquidator”), Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) in relation to the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK\$246,250,000 issued by the Company to Lehman Brothers (the “Convertible Bonds”) and the transfer of the 100% of the issued share capital of Zhong Ping to Lehman Brothers or a party so directed by Lehman Brother (the “Deed of Settlement”).

Details of the terms of the Deed of Settlement are set out in the Company’s circular and announcement dated 11 October 2010 and 12 November 2010 respectively. The Company is required to pay HK\$85 million to Lehman Brothers as partial consideration of the redemption of the Convertible Bonds.

Zhong Ping holds a 70% interest in ARIA LLC, a company incorporated in Mongolia with limited liability. ARIA LLC in turn is the owner of the mining rights with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymetallurgical Project located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Following the completion of the disposal of Xin Shougang and the approval of the Deed of Settlement described above, the Group has effectively discontinued its mining operations.

The results of the discontinued operations associated with the Group's investments in Xin Shougang up to the date of disposal and in Zhong Ping during the period included in the unaudited condensed consolidated income statement are set out below:

	Three months ended 30 June		Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Loss for the period from discontinued operations:				
Amortisation of mining rights	-	(2,064)	-	(4,089)
Imputed interest on convertible preferred shares	-	(1,191)	-	(2,382)
Other operating expenses	-	(30)	-	(30)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	-	(3,285)	-	(6,501)
Income tax credit	-	(859)	-	1,415
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period from discontinued operations	-	(4,144)	-	(5,086)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. Income tax

Income tax credit in the unaudited condensed consolidated income statement represents:

Three months ended 30 June		Six months ended 30 June	
2011	2010	2011	2010
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Continuing operations

Deferred taxation

– attributable to the
origination and
reversal of temporary
differences, net

–	186	–	727
<u> </u>	<u> </u>	<u> </u>	<u> </u>

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior periods. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Yichang Fuliangjiang Joint Composite Limited (宜昌富連江複合材料有限公司), a wholly-owned subsidiary of the Company, established as a wholly foreign-owned enterprise in the PRC, is entitled to an exemption from the PRC state and local enterprise income tax (“EIT”) for the first two profitable financial years of its operation and thereafter a 50% relief from the state EIT of the PRC for the following three financial years (the “Tax Holiday”). Upon expiry of the Tax Holiday in 2011, the unified EIT rate of 25% will be applied 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. No provision for EIT has been made as the subsidiary sustained a loss during the current and prior periods.

7. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

8. Loss per share

For 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:

Three months ended 30 June		Six months ended 30 June	
2011	2010	2011	2010
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss:

Loss for the purposes of
basic and diluted loss
per share

<u>(7,279)</u>	<u>(9,709)</u>	<u>(13,898)</u>	<u>(19,890)</u>
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Three months ended 30 June		Six months ended 30 June	
2011	2010	2011	2010
'000	'000	'000	'000

Number of shares:

Weighted average number
of ordinary shares for
the purposes of basic and
diluted loss per share

<u>2,414,405</u>	<u>1,229,603</u>	<u>2,414,405</u>	<u>1,229,603</u>
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From continuing operations

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Loss:				
Loss for the period attributable to owners of the Company	7,279	9,709	13,898	19,890
Less: Loss for the period from discontinued operations	—	(3,671)	—	(4,157)
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>7,279</u>	<u>6,038</u>	<u>13,898</u>	<u>15,733</u>

The number of shares used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operations for the three months and six months ended 30 June 2011 are HK cents nil per share (three months and six months ended 30 June 2010: loss of HK cents 0.30 and HK cents 0.34 per share), based on the loss for the period from the discontinued operations for the three months and six months ended 30 June 2011 of HK\$nil (three months and six months ended 30 June 2010: HK\$3,671,000 and HK\$4,157,000) and the number of shares as detailed above for both basic and diluted loss per share.

As the convertible bonds, convertible preferred shares, share options, where applicable, outstanding during the reporting periods had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in both reporting periods. Accordingly, the basic and diluted loss per share for the three months and six months ended 30 June 2011 and 2010 are the same.

9. Segment information

Business segment

For the six months ended 30 June 2011

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes <i>HK\$'000</i>	Sale of composite materials <i>HK\$'000</i>	Total <i>HK\$'000</i>	Mining operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	21,225	27,062	48,287	-	48,287
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	<u>21,225</u>	<u>27,062</u>	<u>48,287</u>	<u>-</u>	<u>48,287</u>
Reportable segment loss	<u>(3,872)</u>	<u>(4,003)</u>	<u>(7,875)</u>	<u>-</u>	<u>(7,875)</u>
Reportable segment assets	<u>303,727</u>	<u>47,734</u>	<u>351,461</u>	<u>207,612</u>	<u>559,073</u>
Reportable segment liabilities	<u>(11,745)</u>	<u>-</u>	<u>(11,745)</u>	<u>(29,510)</u>	<u>(41,255)</u>
Other segment information:					
Interest income					23
Finance costs	-	-	-	-	-
Unallocated finance costs					(880)
Total finance costs					<u>(880)</u>
Depreciation	(6,080)	-	(6,080)	-	(6,080)
Unallocated depreciation					(385)
Total depreciation					<u>(6,465)</u>
Amortisation of land use rights	(370)	-	(370)	-	(370)
Amortisation of mining rights	-	-	-	-	-
Gain on disposal of property, plant and equipment	55	-	55	-	55
Income tax credit	-	-	-	-	-
Unallocated income tax credit					-
Total income tax credit					<u>-</u>
Additions to non-current assets	10,314	-	10,314	-	10,314
Unallocated additions to non-current assets					2
Total additions to non-current assets					<u>10,316</u>

For the six months ended 30 June 2010

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes HK\$'000	Sale of composite materials HK\$'000	Total HK\$'000	Mining operations HK\$'000	Total HK\$'000
Revenue from external customers	45,540	24,731	70,271	-	70,271
Inter-segment revenue	-	-	-	-	-
Reportable segment revenue	<u>45,540</u>	<u>24,731</u>	<u>70,271</u>	<u>-</u>	<u>70,271</u>
Reportable segment profit/(loss)	<u>3,689</u>	<u>(1,078)</u>	<u>2,611</u>	<u>(5,086)</u>	<u>(2,475)</u>
Reportable segment assets	<u>323,911</u>	<u>24,462</u>	<u>348,373</u>	<u>520,013</u>	<u>868,386</u>
Reportable segment liabilities	<u>(70,937)</u>	<u>-</u>	<u>(70,937)</u>	<u>(231,962)</u>	<u>(302,899)</u>
Other segment information:					
Interest income					36
Finance costs	-	-	-	(2,382)	(2,382)
Unallocated finance costs					(10,926)
Total finance costs					<u>(13,308)</u>
Depreciation	(3,197)	-	(3,197)	-	(3,197)
Unallocated depreciation					(366)
Total depreciation					<u>(3,563)</u>
Amortisation of land use rights	(353)	-	(353)	-	(353)
Amortisation of mining rights	-	-	-	(4,089)	(4,089)
Loss on disposal of property, plant and equipment	(2,420)	-	(2,420)	-	(2,420)
Income tax credit	-	-	-	1,415	1,415
Unallocated income tax credit					727
Total income tax credit					<u>2,142</u>
Additions to non-current assets	3,851	-	3,851	-	3,851
Unallocated additions to non-current assets					2
Total additions to non-current assets					<u>3,853</u>

10. Assets and liabilities of a disposal group classified as held for sale

As set out in Note 5(b) above, following the approval of the Deed of Settlement, the mining rights held by Zhong Ping Group are being disposed of to the holder of the Company's Convertible Bonds. Accordingly, the following assets and liabilities of Zhong Ping Group relating to the mining operations have been classified as held for sale in the consolidated statement of financial position.

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (Audited)
Mining rights	207,519	207,519
Cash and cash equivalents	1	1
Other receivables	92	92
	<hr/>	<hr/>
Assets related to the mining business classified as held for sale	207,612	207,612
	<hr/>	<hr/>
Other payables	255	255
Deferred tax liabilities	29,255	29,255
	<hr/>	<hr/>
Liabilities of the mining business associated with assets classified as held for sale	29,510	29,510
	<hr/>	<hr/>
Net assets of the mining business classified as held for sale	<u>178,102</u>	<u>178,102</u>

11. Trade and bills receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period vary for different customers from one month to a year depending on the size and nature of the customers. The Group has set a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
Within 30 days	2,230	42,578
31 – 60 days	1,399	8,341
61 – 90 days	2,618	46
Over 90 days	41,010	2,552
	<hr/>	<hr/>
	47,257	53,517
	<hr/> <hr/>	<hr/> <hr/>

12. Trade payables

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

	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
Within 30 days	1,060	3,626
31 – 60 days	8,826	52
61 – 90 days	770	27
Over 90 days	–	1,319
	<hr/>	<hr/>
	10,656	5,024
	<hr/> <hr/>	<hr/> <hr/>

13. Convertible bonds

The outstanding convertible bonds as at 30 June 2011 and 31 December 2010 are as follows:

The 4.5% convertible bonds were issued to Lehman Brothers on 31 October 2007 with a nominal value of HK\$246,250,000 and matured on 31 October 2010. No conversion had taken place since the Convertible Bonds were issued.

Coupon interest of 4.5% per annum was payable semi-annually in arrears up to 31 October 2010. The effective interest of the Convertible Bonds was determined at 9.11% per annum (2009: 9.11% per annum) using the effective interest method. The carrying value of the Convertible Bonds as at 31 December 2010 was HK\$246,250,000 (2009: HK\$241,271,000).

In 2008, Lehman Brothers was put into liquidation and liquidators were appointed. The liquidation of Lehman Brothers is still in progress as of the date of approval of financial statements. As set out in Note 5(b) above, the Company has entered into a Deed of Settlement with Lehman Brothers for the settlement of the Convertible Bonds.

The fair values of the liability components of the above convertible bonds were calculated using the market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, were included in equity, net of deferred taxes.

The convertible bonds recognised in the statement of financial position are calculated as follows:

	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
Nominal value of convertible bonds	246,250	246,250
Equity component	(22,164)	(22,164)
Direct transaction costs attributable to the liability component	(7,087)	(7,087)
	<hr/>	<hr/>
Liability component on initial recognition	216,999	216,999
Accumulated interest expenses recognised	62,525	62,525
Accumulated interest paid	(24,040)	(24,040)
Accumulated accrued interest expenses	(9,234)	(9,234)
Redemption of convertible bonds and related interest	–	–
	<hr/>	<hr/>
Liability component	246,250	246,250
Less: current portion	(246,250)	(246,250)
	<hr/>	<hr/>
Non-current portion	–	–
	<hr/> <hr/>	<hr/> <hr/>

14. Share capital

	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
<i>Authorised:</i>		
9,600,000,000 ordinary shares of HK\$0.0125 each	120,000	120,000
<i>Issued and fully paid:</i>		
2,414,404,920 ordinary shares of HK\$0.0125 each	30,180	30,180

15. Operating lease arrangement

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases typically run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

The Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
Within one year	750	850
After one year but within five years	638	999
	1,388	1,849

16. Capital commitment

Capital commitments outstanding at the end of reporting period not provided for in the unaudited condensed consolidated financial statements were as follows:

	30 June	31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(Audited)
Property, plant and equipment contracted but not provided for	<u>13,482</u>	<u>14,491</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Turnover of the Group in the period under review was performing well, but not as good as the corresponding period in 2010. This was because in the corresponding period of last year, the Group initiated new sale networks in different provinces in PRC. Moreover, the change of shareholding in May 2011 may incurred psychological effect on some customers. However, it was expected and the Board believe such impact is temporary and will not last long.

Most importantly, the Company has reached settlement on the convertible bonds issue with Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) during 2010. The settlement represents a big step of the Group as the going concern problem of the Group is resolved. Although the Group still incurred operating loss in the first half of 2011, the Directors believes that the Group will perform much better in the near future.

The business segment of the Polyethylene Pipes (“PE Pipes”) was performing well and was the main business of the Group during the period under review. Fibre Glass Reinforced Plastic Pipes have been replaced by the PE Pipes. From 2011 onwards, PE Pipes became the main products of the Group. This business segment has been the core business of the Group for many years. The PE Pipes are products employed for constructions and city development in the People’s Republic of China (the “PRC”). Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the rapid and continuous development of the PRC market, the Directors believe that the demands for our products are both sustainable and look set to increase.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers (as Bondholder) and the joint and several liquidators of Lehman Brothers appointed by the order of the Court of First Instance of Hong Kong (the “Liquidators”) signed the deed of settlement (the “Deed of Settlement”) for the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK\$246,250,000 issued by the Company to Lehman Brothers pursuant to the subscription agreement dated 12 June 2007 (the “Convertible Bonds”).

Pursuant to the Deed of Settlement, the Company shall pay to the Bondholder a sum of HK\$85 million in November 2010 and transfer the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder.

The Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited (“Zhong Ping”) (being the holder of the 70% equity interest in ARIA LLC (“ARIA”), a company incorporated in Mongolia with limited liability), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Zhong Ping, through ARIA, holds the majority interest of the mining right in respect of the green field exploration project namely the Mungun-Undur Polymetallic Project (the “Project”) located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the date of this report, the completion of the Deed of Settlement and the disposal are still in progress and the Company will announce for any further development.

Details are set out in the announcements dated 27 September 2010 and 12 November 2010 and the circular dated 11 October 2010 of the Company.

Change of shareholding of substantial shareholders

Pursuant to the share agreement dated 30 May 2011 (the “Share Agreement”) entered into among Ms. Ma Zheng (as purchaser) (the “Offeror”), Mr. Yu Hongzhi (“Vendor A”) and Future Advance Holdings Limited (“Vendor B”), Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 Shares (the “Sale Shares”), representing approximately 49.94% of the entire issued share capital of the Company. The aggregate consideration for the Sale Shares is HK\$48,229,877.96 (equivalent to HK\$0.04 per Sale Share), which was agreed among the parties to the Share Agreement after arm’s length negotiations. Completion (the “Completion”) of the Share Agreement took place on 30 May 2011 immediately after the signing of the Share Agreement and the aggregate consideration of HK\$48,229,877.96 has been paid by the Offeror to Vendor A and Vendor B in cash at Completion.

Details are set out in the joint announcements dated 3 June 2011 (the “First Joint Announcement”) and 15 July 2011 and the composite offer and response document dated 24 June 2011 (the “Composite Document”) of the Company.

Mandatory unconditional cash offers and subsequent events

Immediately before the Completion, the Offeror was interested in 12,150,000 Shares, representing approximately 0.51% of the entire issued share capital of the Company; and the Offeror and parties acting in concert with her (the “Offeror Group”) was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror was required to make a mandatory unconditional general offer in cash (the “Offer”) for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror Group.

As a result of the acquisition of the Sale Shares and immediately before the offer period (period commencing from 3 June 2011 (being the First Joint Announcement) and ending on the closing date on 15 July 2011), the Offeror was interested in a total of 1,217,896,949 Shares, representing approximately 50.44% of the entire issued share capital of the Company; and the Offeror Group was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Taking into account the valid acceptance of 478,865 offer shares received under the offer, the Offeror Group holds, controls or directs an aggregate of 1,229,775,814 Shares, representing approximately 50.94% of the issued share capital of the Company immediately upon the close of the offer and as at the date of this report.

Details are set out in the First Joint Announcement, joint announcement dated 15 July 2011 and the Composite Document of the Company.

Financial review

Turnover was approximately HK\$48,287,000 for the period under review, which represented a decrease of 31.3% when compared with approximately HK\$70,271,000 in the corresponding period of last year. Turnover of the Group in the period under review was performing well, but not as good as the corresponding period in 2010. This was because in the corresponding period of last year, the Group initiated new sale networks in different provinces in PRC. Moreover, the change of shareholding in May 2011 may incurred psychological effect on some customers. However, it was expected and the Board believe such impact is temporary and will not last long. The unaudited loss before income tax from continuing operations for the period under review was approximately HK\$13,898,000 while it was approximately HK\$16,460,000 in the corresponding period of last year. The loss attributable to owners of the Company was approximately HK\$13,898,000 (six months ended 30 June 2010: loss of approximately HK\$19,890,000). In the current economic environment, the Board will continue to adopt 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 of the Company.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company and according to the Deed of Settlement, as at 30 June 2011, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations and future development.

Employee information

As at 30 June 2011, the Group has 5 full-time employees working in Hong Kong and 78 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors but excluding cost of share option granted, for the six months under review amounted to approximately HK\$3,484,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Capital structure

The ordinary shares of the Company were listed on the GEM of the Stock Exchange on 13 December 2001. There has been no change in the capital structure of the Company during the period under review.

Significant investments

Save as disclosed above, for the period under review, the Group had no other significant investments.

Material acquisition and disposals of subsidiaries and affiliated companies/ future plans for material investments

Save as disclosed above, there were no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2011.

Segment information

Details have been set out in note 9 under “Notes to the unaudited condensed consolidated financial statements” and further elaborated under “Business review and future outlook” of this section.

Charge on group assets and contingent liabilities

As at 30 June 2011, no assets were pledged by the Group to obtain loans. As at 30 June 2010, the Group has pledged building of approximately HK\$43,248,000 and land use rights of approximately HK\$30,910,000 to a PRC bank to obtain a short-term loan. This short-term loan was wholly repaid in the period under review. The Group did not have any significant contingent liabilities.

Gearing ratio

As at 30 June 2011, current assets of the Group amounted to approximately HK\$488,401,000 which included cash of approximately HK\$5,935,000 and RMB10,849,000 while current liabilities stood at approximately HK\$297,591,000. Equity attributable to owners of the Company amounted to approximately HK\$350,613,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 64.8% (net loan to equity attributable to owners of the Company) as of 30 June 2011.

Exposure to fluctuations in exchange rates

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi (“RMB”). No hedging or other alternatives have been implemented. As the exchange of Hong Kong dollars against RMB were relatively stable during the period under review, the Group’s exposure to currency exchange risk was minimal.

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

As at 30 June 2011, 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:

The approximate percentage of interest set out below is based on 2,414,404,920 ordinary shares in issue as at 30 June 2011.

- (i) Long position in the ordinary shares of HK\$0.0125 each in the Company as at 30 June 2011:

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		1,217,896,949 (Note)	50.44%

Note: Pursuant to the share agreement dated 30 May 2011 entered into among Ms. Ma Zheng (as purchaser) (“Offeror”), Mr. Yu Hongzhi (“Vendor A”) and Future Advance Holdings Limited (“Vendor B”), Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 shares of the Company (as to 918,127,503 shares of the Company were held by Vendor A and as to 287,619,446 Shares were held by Vendor B). The transaction was completed on 30 May 2011. Details are set out in the joint announcements dated 3 June 2011 and 15 July 2011 and the composite offer and response document dated 24 June 2011 of the Company. At the date of this report, Ms. Ma Zheng holds 1,218,375,814 shares, representing approximately 50.46% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2011, 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. Further details are set out in the announcement dated 17 March 2004. As at 30 June 2011, 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.

Because of the Offer, in accordance with the terms of the Post-Scheme, the Company had on 3 June 2011 given notice to the option holders (other than Ms. Ma Zheng (the “Offeror”) and the parties acting in concert with her), whereupon such holders shall be entitled to exercise the options in full or in part (to the extent not already exercised) at any time within 14 days after the date of such notice (i.e. any time during the period from 4 June 2011 to 17 June 2011), after which the options shall lapse according to the terms of the Post-Scheme. Up to 17 June 2011, none of the options has been exercised and therefore, all the 75,080,162 options (including the 2,898,848 options held by the Offeror) have lapsed according to the terms of the Post-Scheme.

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, (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), and (iii) the nominal value of the Company's share. 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 movement of the share options granted by the Company pursuant to the Post-Scheme during the period under review 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 2011				as at 30 June 2011		
Ms. Ma Zheng (Director)	8 January 2008	2,898,848	-	-	2,898,848	-	8 July 2008 to 27 November 2011	HK\$1.5182
Mr. Wan Tze Fan Terence (Director)	8 January 2008	434,827	-	-	434,827	-	8 July 2008 to 27 November 2011	HK\$1.5182
Mr. Liu Weichang (Director)	8 January 2008	434,827	-	-	434,827	-	8 July 2008 to 27 November 2011	HK\$1.5182
Employees	8 January 2008	71,311,660	-	-	71,311,660	-	8 July 2008 to 27 November 2011	HK\$1.5182
		<u>75,080,162</u>	<u>-</u>	<u>-</u>	<u>75,080,162</u>	<u>-</u>		

No share options were granted by the Company and no share options were exercised during the period under review. All the 75,080,162 options lapsed on 17 June 2011.

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 30 June 2011, 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:

The approximate percentage of interest set out below is based on 2,414,404,920 ordinary shares in issue as at 30 June 2011.

- (i) *Long position in the ordinary shares of HK\$0.0125 each in the Company as at 30 June 2011:*

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
APAC Resources Limited	Corporate	128,906,878	5.34%
Super Grand Investments Limited ("Super Grand")	Beneficial	128,906,878 (Note)	5.34%

Note: These shares are held by Super Grand and Super Grand is a 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 30 June 2011:*

Name	Type of interests	Description of derivatives	Number of underlying shares can be converted	Approximate percentage of interests
Lehman Brothers (in liquidation)	Beneficial	Convertible Bonds in the principal amount of HK\$246,250,000	Nil <i>(Note)</i>	N/A

Note: The conversion rights attached to the Convertible Bonds have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 30 June 2011, 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 Yichang Fulianjiang Joint Composite Limited, was 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 a company incorporated in the PRC and principally engaged in selling and producing PE Pipes in the PRC. Mr. Yu Hongzhi was not a substantial shareholder of 宜昌弘訊管業有限公司 (Yichang HongXun Conduit and Calling Company Limited) during the period under review. Save as disclosed above, during the period under review, none of the Directors, significant 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.

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 and six months ended 30 June 2011 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 ordinary shares during the period ended 30 June 2011. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the period ended 30 June 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 15, The Code on Corporate Governance Practices (the "Code") to the GEM Listing Rules throughout the accounting period for the six months ended 30 June 2011, save and except the following:

Code Provision A.2.1

This Code Provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the period under review, we still did not have an officer with the title of "Chief Executive Officer" (the "CEO"). The Code envisages that the management of the Board should rest on the Chairman, whereas the day-to-day management of the Company's business should rest on the CEO. Ms. Ma Zheng, the Chairman, is also the director of the Company's production plant in Yichang City. This constitutes a deviation of Code Provision A.2.1. The Board still holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

During the period under review, the Company has three independent non-executive directors, they are Mr. Wan, Mr. Liu and Mr. Chung. Except for Mr. Chung who was appointed for a specific term of two years, the other two are not appointed for specific terms. However, they are all 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 and Mr. Liu.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2011.

By Order of the Board

China Primary Resources Holdings Limited

Ma Zheng

Chairman

Hong Kong, 9 August 2011

As at the date of this report, the Board comprises Ms. MA Zheng 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.