



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 2012**

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

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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 three months ended 31 March 2012 was approximately HK\$7,573,000 (three months ended 31 March 2011: approximately HK\$39,834,000), representing a decrease of approximately 81% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$2,127,000 (three months ended 31 March 2011: loss approximately HK\$6,619,000).

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: 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 three months ended 31 March 2012 together with the comparative figures 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 CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Three months ended 31 March</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>			
Turnover	2	<b>7,573</b>	39,834
Other income and gain	3	<b>5,279</b>	74
Cost of inventories sold		<b>(8,916)</b>	(38,892)
Staff costs, including directors' remuneration		<b>(1,995)</b>	(1,602)
Depreciation		<b>(1,146)</b>	(1,251)
Amortisation of land use rights		<b>(189)</b>	(182)
Other operating expenses		<b>(2,733)</b>	(3,731)
Finance costs	4	<b>–</b>	(869)
Loss before income tax	5(a)	<b>(2,127)</b>	(6,619)
Income tax	6	<b>–</b>	–
Loss for the period from continuing operations		<b>(2,127)</b>	(6,619)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	5(b)	<b>–</b>	–
Loss for the period		<b>(2,127)</b>	(6,619)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(2,127)</b>	(6,619)
Non-controlling interests		<b>–</b>	–
		<b>(2,127)</b>	(6,619)
<b>Basic and diluted loss per share</b>			
from continuing and discontinued operations	8	<b>(0.09 cents)</b>	(0.27 cents)
from continuing operations	8	<b>(0.09 cents)</b>	(0.27 cents)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Loss for the period	<u>(2,127)</u>	<u>(6,619)</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	<u>368</u>	<u>3,485</u>
Other comprehensive income for the period	<u>368</u>	<u>3,485</u>
Total comprehensive income for the period	<u><b>(1,759)</b></u>	<u><b>(3,134)</b></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>(1,759)</u>	<u>(3,134)</u>
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><b>(1,759)</b></u>	<u><b>(3,134)</b></u>

**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 unaudited 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 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The accounting policies adopted in the unaudited condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

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 2012. 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.

**2. TURNOVER**

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

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Sale of PE pipes	<b>7,566</b>	13,173
Sale of composite materials	<b>7</b>	26,661
	<hr/>	<hr/>
	<b>7,573</b>	39,834
	<hr/> <hr/>	<hr/> <hr/>

**3. OTHER INCOME AND GAIN**

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Bank interest income	<b>23</b>	12
Gain on disposal of investment held for trading	<b>3,157</b>	–
Gain on fair value of investment held for trading	<b>2,097</b>	–
Sundry income	<b>2</b>	62
	<hr/>	<hr/>
	<b>5,279</b>	74
	<hr/> <hr/>	<hr/> <hr/>

## 4. FINANCE COSTS

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Interest expenses on borrowing wholly repayable within five years	-	869
	<u>-</u>	<u>869</u>
	<u>-</u>	<u>869</u>

## 5. LOSS BEFORE INCOME TAX

## (a) Continuing operations

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before income tax is arrived after charging:		
Minimum lease payments under operating lease charges in respect of land and buildings	210	530
Depreciation ( <i>Note</i> )	<u>3,247</u>	<u>3,624</u>

*Note:* The above depreciation charge included an amount of HK\$2,101,000 (three months ended 31 March 2011: HK\$2,373,000) charged to cost of inventories sold on the face of the unaudited condensed consolidated income statement.



**(b) Discontinued operations**

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 (the “Liquidator”) of Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) appointed by the order of the Court of First Instance of Hong Kong, and 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”) (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 2 November 2010 respectively. The Company paid HK\$85 million to Lehman Brothers under the terms of the Deed of Settlement as partial consideration of the redemption of the Convertible Bonds. The remaining consideration under the Deed of Settlement is represented by the transfer of the 100% of the issued share capital of Zhong Ping Resources Holdings Limited (“Zhong Ping”) or all of the assets held directly or indirectly by Zhong Ping (the “Sale Interest”) to Lehman Brothers or a party so directed by Lehman Brothers.

Pursuant to the Deed of Settlement, completion of the Deed of Settlement is conditional upon the fulfillment or waiver of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (the “Long Stop Date”). In order to allow more time for the transfer of equity interest in Zhong Ping, the Company, Lehman Brothers and the Liquidator have entered into extension letters (the “Extension Letter”) on 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012 respectively to extend the Long Stop Date. The latest extension is to extend the Long Stop Date to 30 May 2012 or such other date as may be agreed by the parties thereto. Save for the change in the Long Stop Date, all other terms and conditions of the Deed of Settlement remain unchanged and shall continue in full force and effect.

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 Polymetallic Project (the “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 in 2010 as described above, the Group had 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:

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period from discontinued operations	-	-
	<u>          </u>	<u>          </u>

As of the date of approval of these financial statements, the entire transaction has not been completed as the Company has not yet transferred the Sale Interest to the Liquidator as directed by Lehman Brothers pending completion of the necessary paper work in Mongolia. Unless the Company, Lehman Brothers and the Liquidator agree to a further extension, the parties have up to 30 May 2012 to exercise their rights and fulfil their obligations under the Deed of Settlement.

The assets of Zhong Ping Group have been included and classified as assets held for sale and the liabilities of Zhong Ping Group have been classified as liabilities associated with assets classified as held for sale as at 31 March 2012 and 31 March 2011.

**6. INCOME TAX**

Income tax in the unaudited condensed consolidated income statement represents:

<b>Three months ended 31 March</b>	
<b>2012</b>	2011
<b>HK\$'000</b>	HK\$'000
<b>(Unaudited)</b>	(Unaudited)

**Continuing operations**

Deferred taxation

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

–	–
<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% is 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 three months ended 31 March 2012 (three months ended 31 March 2011: 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:

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss:</b>		
Loss for the purposes of basic and diluted loss per share	<u>2,127</u>	<u>6,619</u>

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>'000</i>	<i>'000</i>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,414,405</u>	<u>2,414,405</u>

**From continuing operations**

	<b>Three months ended 31 March</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss:</b>		
Loss for the period attributable to owners of the Company	2,127	6,619
Less: Loss for the period from discontinued operations	<u>—</u>	<u>—</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>2,127</u>	<u>6,619</u>

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

**From discontinued operations**

For the three months ended 31 March 2012, basic and diluted loss of nil (three months ended 31 March 2011: nil) per share for the discontinued operations was calculated based on the loss for the period from the discontinued operations of nil (three months ended 31 March 2011: nil) and the number of shares as detailed above for both basic and diluted loss per share.

As the convertible bonds and 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 ended 31 March 2012 and 2011 are the same.

## 9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Exchange translation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	-	-	-	-	-	-	(6,619)	-	(6,619)
Other comprehensive income	-	-	-	-	-	3,485	-	-	3,485
Total comprehensive income	-	-	-	-	-	3,485	(6,619)	-	(3,134)
Balance at 31 March 2011	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>33,618</u>	<u>5,110</u>	<u>56,612</u>	<u>(234,033)</u>	<u>33,905</u>	<u>386,878</u>

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Exchange translation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2012	30,180	443,564	17,922	-	5,110	70,286	(244,790)	33,905	356,177
Loss for the period	-	-	-	-	-	-	(2,127)	-	(2,127)
Other comprehensive income	-	-	-	-	-	368	-	-	368
Total comprehensive income	-	-	-	-	-	368	(2,127)	-	(1,759)
Balance at 31 March 2012	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>-</u>	<u>5,110</u>	<u>70,654</u>	<u>(246,917)</u>	<u>33,905</u>	<u>354,418</u>

## ***MANAGEMENT DISCUSSION AND ANALYSIS***

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

Turnover of the Group during the period under review was not performing well when compared to the corresponding period of last year. The Board believes the significant decrease in turnover was mainly due to (i) the unstable global economic environment; (ii) slow down of the development of the property market in the People's Republic of China (the "PRC") which directly affects the construction sector which in turn affects the demand of the Polyethylene Pipes ("PE Pipes"); and (iii) the psychological effect on some customers after the completion of the mandatory cash offer exercise in 2011.

The business segment of the PE Pipes was the main business of the Group during the period under review and has been the core business of the Group for many years. The PE Pipes are products employed for constructions and city development in the PRC. Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the continuous development of the PRC market in the long term, 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 Commercial Corporation Asia Limited ("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 paid 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 rights 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. Pursuant to the Deed of Settlement, completion of the Deed of Settlement is conditional upon the fulfilment or waiver of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and the Bondholder (the “Long Stop Date”). In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into four extension letters on 28 October 2011, 28 December 2011, 24 February 2012 and 27 March 2012 respectively to extend the Long Stop Date from 31 October 2011 to 31 December 2011, 29 February 2012, 30 March 2012 and 30 May 2012 respectively or such other date as may be agreed by the parties thereto. Save for the change in the Long Stop Date, all other terms and conditions of the Deed of Settlement remain unchanged and shall continue in full force and effect.

Details are set out in the announcements dated 27 September 2010, 12 November 2010, 28 October 2011, 28 December 2011, 24 February 2012 and 27 March 2012 and the circular dated 11 October 2010 of the Company.



### **Financial review**

Turnover was approximately HK\$7,573,000 for the period under review, which represented a decrease of approximately 81% when compared with approximately HK\$39,834,000 in the corresponding period of last year. Turnover of the Group in the period under review was not as good as the corresponding period of last year. The Board believes the significant decrease in turnover was mainly due to (i) the unstable global economic environment; (ii) slow down of the development of the property market in the PRC which directly affects the construction sector which in turn affects the demand of PE Pipes; and (iii) the psychological effect on some customers after the completion of the mandatory cash offer exercise in 2011.

The unaudited loss before income tax of continuing operations for the period under review was approximately HK\$2,127,000 while it was loss of approximately HK\$6,619,000 in the corresponding period of last year. The loss attributable to owners of the Company was approximately HK\$2,127,000 (three months ended 31 March 2011: loss of approximately HK\$6,619,000). 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**

As at 31 March 2012, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

***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 2012, 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 31 March 2012.

- (i) *Long position in the ordinary shares of HK\$0.0125 each in the Company as at 31 March 2012:*

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial	1,218,375,814		50.46%

Save as disclosed above, as at 31 March 2012, 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, a 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 Post-Scheme was expired on 27 November 2011.

A new share option scheme (the “New Share Option Scheme”) was adopted by the shareholders of the Company on 8 May 2012. The purpose of the New Share Option 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 New Share Option 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 New Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The New Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The New Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012. The definition of eligible person in the New Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group.

The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option 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.

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the Shareholders' circular to be issued later).

The exercise price for shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the New Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the New Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed during the period under review.

***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 2012, 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 31 March 2012.

(i) *Long position in the underlying shares or debentures of the Company as at 31 March 2012:*

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 31 March 2012, 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***

During the period under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

During 2011, Mr. Yu Hongzhi, the director of the Company's subsidiary Yichang Fulianjiang Joint Composite Limited, had been the director and legal representative of 宜昌弘訊管業有限公司 (Yichang HongXun Conduit and Calling Company Limited) ("Yichang HongXun"), which is a company incorporated in the PRC and principally engages in selling and producing PE Pipes in the PRC. Mr. Yu Hongzhi was not a substantial shareholder of Yichang HongXun.

### ***AUDIT COMMITTEE***

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. During the period under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing (appointed on 22 March 2012) 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 2012 and has provided advice and comments thereon.

### ***REMUNERATION COMMITTEE***

The remuneration committee of the Company (the “Remuneration Committee”) 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. During the period under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing (appointed on 22 March 2012) who are the independent non-executive Directors of the Company.

### ***NOMINATION COMMITTEE***

The nomination committee of the Company (the “Nomination Committee”) was established on 22 March 2012. The function of the Nomination Committee is to identify individual suitably qualified to become director and make recommendation to the Board on the appointment, re-appointment and re-designation of directors. The Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive director of the Company.

### ***PURCHASE, SALE OR REDEMPTION OF SECURITIES***

The Company had not redeemed any of its ordinary shares during the three months ended 31 March 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the three months ended 31 March 2012.

By Order of the Board

**China Primary Resources Holdings Limited**

**Ma Zheng**

*Chairman*

Hong Kong, 8 May 2012

*As at the date of this report, the Board comprises Ms. MA Zheng, Mr. WONG Pui Yiu and Mr. LIU Weichang who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.*