

2013 Third Quarterly Report



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 (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 nine months ended 30 September 2013 was approximately HK\$17,680,000 (nine months ended 30 September 2012: approximately HK\$27,918,000), representing a decrease of approximately 37% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$21,867,000 (nine months ended 30 September 2012: loss of approximately HK\$15,861,000).

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2013 (nine months ended 30 September 2012: 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 nine months ended 30 September 2013 together with the comparative figures as follows. The consolidated third quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		(Restated)
Turnover	2	1,803	11,065	17,680	27,918
Other income and gains and losses	3	255	448	776	5,586
Cost of sales		(2,229)	(11,024)	(18,970)	(30,314)
Staff costs, including directors' remuneration		(2,460)	(2,316)	(6,802)	(6,503)
Depreciation		(1,194)	(1,109)	(3,661)	(3,476)
Amortisation of land use rights		(196)	(193)	(584)	(568)
Other operating expenses		(2,997)	(3,157)	(10,294)	(8,465)
Finance costs	4	(6)	(13)	(12)	(39)
Loss before income tax	5	(7,024)	(6,299)	(21,867)	(15,861)
Income tax	6	-	-	-	-
Loss for the period		(7,024)	(6,299)	(21,867)	(15,861)
Other comprehensive income:					
Exchange differences on translation of foreign operations		649	3,620	4,932	467
Other comprehensive income for the period		649	3,620	4,932	467
Total comprehensive income for the period		(6,375)	(2,679)	(16,935)	(15,394)
Loss attributable to:					
Owners of the Company		(7,024)	(6,299)	(21,867)	(15,861)
Non-controlling interests		-	-	-	-
		(7,024)	(6,299)	(21,867)	(15,861)
Total comprehensive income attributable to:					
Owners of the Company		(6,375)	(2,679)	(16,935)	(15,394)
Non-controlling interests		-	-	-	-
		(6,375)	(2,679)	(16,935)	(15,394)
Basic and diluted loss per share	8	(1.45 cents)	(1.30 cents)	(4.53 cents)	(3.28 cents)

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 pipes ("PE pipes") that operates primarily in the markets of the People's Republic of China (the "PRC"). The Group is in the process of disposing of the mining business to the holder of the Convertible Bonds (as defined below).

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 except for certain financial instruments, which are measured at fair values.

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 2012.

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 2013. 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 is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of PE pipes	1,803	11,065	17,680	27,911
Sales of composite materials	–	–	–	7
	<u>1,803</u>	<u>11,065</u>	<u>17,680</u>	<u>27,918</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Bank interest income	12	7	23	42
Gain on disposal of investments held for trading	18	864	280	4,998
Investment income from unlisted investment funds	1	–	495	–
Fair value (loss)/gain on investments held for trading	224	(424)	(22)	543
Sundry income	–	1	–	3
	<u>255</u>	<u>448</u>	<u>776</u>	<u>5,586</u>

4. FINANCE COSTS

Three months ended 30 September 2013 HK\$'000 (Unaudited)		Nine months ended 30 September 2012 2013 HK\$'000 (Unaudited)	

Interest expenses on other
borrowing

6	13	12	39
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5. LOSS BEFORE INCOME TAX

Three months ended 30 September 2013 HK\$'000 (Unaudited)		Nine months ended 30 September 2012 2013 HK\$'000 (Unaudited)	

Loss before income tax is
arrived after charging:
Minimum lease payments
under operating lease
charges in respect of
land and buildings
Depreciation (Note)
Written off of property,
plant and equipment

860	286	1,370	718
3,465	3,267	10,331	9,786
32	-	32	-

Note: Depreciation charge included amount of HK\$2,268,000 and HK\$5,933,000 respectively for the three months and nine months ended 30 September 2013 (three months and nine months ended 30 September 2012: HK\$2,158,000 and HK\$6,310,000 respectively) recognised as cost of sales for the periods under review.

6. INCOME TAX

Income tax in the unaudited condensed consolidated statement of comprehensive income represents:

Three months		Nine months	
ended 30 September		ended 30 September	
2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Income tax for the period	-	-	-	-
	<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 the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%. No provision for EIT has been made as the subsidiary sustained a loss during the periods under review.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2013 (nine months ended 30 September 2012: Nil).

8. LOSS PER SHARE

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 September 2013		Nine months ended 30 September 2013	
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss:

Loss for the purposes of
basic and diluted
loss per share

7,024	6,299	21,867	15,861
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Three months ended 30 September 2013		Nine months ended 30 September 2013	
'000	'000	'000	'000
	(Restated)		(Restated)

Number of shares:

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

482,881	482,881	482,881	482,881
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The weighted average number of ordinary shares in prior periods are restated to reflect the effect of the share consolidation in July 2013.

Diluted loss per share for the three months and nine months ended 30 September 2013 and 2012 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue for periods under review.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Share capital	Share premium account	Convertible bonds reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
	HK\$'000	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	-	-	-	-	-	-	(15,861)	-	(15,861)
Other comprehensive income	-	-	-	-	-	467	-	-	467
Total comprehensive income	-	-	-	-	-	467	(15,861)	-	(15,394)
Balance at 30 September 2012	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>5,110</u>	<u>-</u>	<u>70,753</u>	<u>(260,651)</u>	<u>33,905</u>	<u>340,783</u>

	Equity attributable to owners of the Company								
	Share capital	Share premium account	Convertible bonds reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	30,180	443,564	17,922	5,110	784	73,579	(321,340)	33,905	283,704
Loss for the period	-	-	-	-	-	-	(21,867)	-	(21,867)
Other comprehensive income	-	-	-	-	-	4,932	-	-	4,932
Total comprehensive income	-	-	-	-	-	4,932	(21,867)	-	(16,935)
Balance at 30 September 2013	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>5,110</u>	<u>784</u>	<u>78,511</u>	<u>(343,207)</u>	<u>33,905</u>	<u>266,769</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Turnover of the Group for the nine months ended 30 September 2013 was decreased when compared to the corresponding period in 2012. However, there is still much room for the turnover to improve. The Board would like to report such level of the turnover was mainly due to the unstable global economic condition and the slow down of the development of the property market in the People's Republic of China (the "PRC"). The policy on property and city development in the PRC has been changing continually which directly affected the construction sector which in turn affects the demand of the Polyethylene pipes (the "PE pipes"). Moreover, as announced on 15 October 2013, certain customers of the Group had postponed their purchase orders to later part of 2013 during the three months ended 30 September 2013.

The effect of the change of major shareholders in 2011 was still affecting the customer portfolio of the Group in 2013 but is coming to the end. The Board and management have been working closely to strengthen the sale network with existing customers and in the meantime, looking for new customers so as to expand the customer portfolio. The above efforts on customer portfolio have strengthened the foundation of the Group and could lead to success in the long term. Currently, the customer portfolio is stable and continues to grow. The Board believes the turnover and the result of the Group will be much better in the fourth quarter of 2013 and thereafter.

As mentioned above, due to relative low turnover, relatively high fixed production costs and customer strengthening actions in the third quarter of the current financial year, the gross margin was not meeting target. However, with the anticipated higher turnover under improved customer portfolio, gross margin will definitely improve in the fourth quarter of 2013 and in the long term.

The business segment of the PE pipes has been the core business of the Group and continued to be the main business of the Group in 2013. The PE pipes are materials employed for construction and city development in the PRC. The Group's major customers are government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continual development of the PRC economy and property market in the long term, the Board believes that the demands for the Group's products are both sustainable and look set to increase.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

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 will 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 ten extension letters on 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013 and 31 October 2013 respectively to extend the Long Stop Date from 31 October 2011 to 31 December 2011, 29 February 2012, 30 March 2012, 30 May 2012, 31 August 2012, 31 December 2012, 30 June 2013, 30 September 2013, 31 October 2013 and 30 November 2013 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. As at the date of this report, the Company is still undergoing a negotiation with the Bondholder for settlement and no concrete terms have yet been reached. The Company will make further announcement(s) to update shareholders of the Company (the “Shareholders”) and investors of the status as and when appropriate.

Details are set out in the announcements dated 27 September 2010, 12 November 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013 and 31 October 2013 and the circular dated 11 October 2010 of the Company.

Financial review

Turnover was approximately HK\$17,680,000 for the nine months ended 30 September 2013, which represented a decrease of approximately 37% when compared with approximately HK\$27,918,000 in the corresponding period of last year. However, there is still much room for the turnover to improve. The Board believes such level of turnover was mainly due to (i) the unstable global, especially Europe, economic environment; (ii) slow down of the development of the property market in the PRC which directly affected the construction sector which in turn affects the demand of PE pipes; and (iii) continued effect from the change of major shareholders in 2011.

For the nine months ended 30 September 2013, the unaudited loss before income tax was approximately HK\$21,867,000 (nine months ended 30 September 2012: loss of approximately HK\$15,861,000). The loss attributable to owners of the Company was approximately HK\$21,867,000 (nine months ended 30 September 2012: loss of approximately HK\$15,861,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the Shareholders.

Share Consolidation

The consolidation of every five shares of HK\$0.0125 each in the issued and unissued share capital of the Company (the "Consolidated Shares") into one consolidated share of HK\$0.0625 each in the issued and unissued share capital of the Company (the "Share Consolidation") was duly passed by the Shareholders by way of poll at the extraordinary general meeting held on 4 July 2013 and was come into effect on 5 July 2013.

The authorised ordinary share capital of the Company remain at HK\$120,000,000 divided into 1,920,000,000 Consolidated Shares of HK\$0.0625 each following the Share Consolidation.

The Share Consolidation increases the nominal value of the shares of the Company (the "Shares") and reduces the total number of Shares. Save for the necessary professional expenses and printing charges for the implementation of the Share Consolidation, the implementation of the Share Consolidation was not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders. Details of the Share Consolidation are set out in the announcement and circular of the Company dated 31 May 2013 and 14 June 2013 respectively.

Liquidity and financial resources

As at 30 September 2013, 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 30 September 2013, 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 482,880,984 ordinary shares in issue as at 30 September 2013.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 September 2013:

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		243,675,162	50.46%

Save as disclosed above, as at 30 September 2013, 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 28 November 2001, a share option scheme (the “Scheme”) was approved by the Company. The Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The Scheme 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.

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 30 September 2013, 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 482,880,984 ordinary shares in issue as at 30 September 2013.

Long position in the underlying shares or debentures of the Company as at 30 September 2013:

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 September 2013, 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.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive directors of the Company. The Audit Committee has reviewed the Group's unaudited results for the nine months ended 30 September 2013 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 primary role and 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 comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing 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 primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the period under review, the Nomination Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing 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 nine months ended 30 September 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the nine months ended 30 September 2013.

By Order of the Board
China Primary Resources Holdings Limited
Ma Zheng
Chairman

Hong Kong, 7 November 2013

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. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.