

2014 Interim 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)

## **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 2014 was approximately HK\$25,240,000 (six months ended 30 June 2013: approximately HK\$15,877,000), representing an increase of approximately 59% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$19,103,000 (six months ended 30 June 2013: loss of approximately HK\$14,843,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014 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 STATEMENT OF  
PROFIT OR LOSS AND COMPREHENSIVE INCOME**

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		(Restated)
Turnover	2	14,864	5,823	25,240	15,877
Other income and gains and losses	3	207	237	204	521
Cost of sales		(15,747)	(6,415)	(27,542)	(16,741)
Staff costs, including directors' remuneration		(4,562)	(2,034)	(7,570)	(4,342)
Depreciation		(1,341)	(1,245)	(2,604)	(2,467)
Amortisation of land use rights		(192)	(196)	(384)	(388)
Other operating expenses		(2,992)	(3,734)	(6,620)	(7,297)
Share of profit, net of associates		186	-	186	-
Finance costs	4	(123)	(2)	(225)	(6)
Loss before income tax	5	(9,700)	(7,566)	(19,315)	(14,843)
Income tax	6	-	-	-	-
Loss for the period		(9,700)	(7,566)	(19,315)	(14,843)
Other comprehensive income:					
Exchange differences on translation of foreign operations		(726)	2,823	(7,419)	4,283
Other comprehensive income for the period		(726)	2,823	(7,419)	4,283
Total comprehensive income for the period		(10,426)	(4,743)	(26,734)	(10,560)
Loss attributable to:					
Owners of the Company		(9,488)	(7,566)	(19,103)	(14,843)
Non-controlling interests		(212)	-	(212)	-
		(9,700)	(7,566)	(19,315)	(14,843)
Total comprehensive income attributable to:					
Owners of the Company		(10,214)	(4,743)	(26,522)	(10,560)
Non-controlling interests		(212)	-	(212)	-
		(10,426)	(4,743)	(26,734)	(10,560)
Basic and diluted loss per share	8	(1.52 cents)	(1.39 cents)	(3.28 cents)	(2.73 cents)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2014</b>	31 December 2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>127,627</b>	115,269
Land use rights		<b>30,560</b>	31,726
Goodwill		<b>17,148</b>	–
Interests in associates		<b>6,861</b>	–
Available-for-sale investments		<b>6,509</b>	10,071
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>188,705</b>	157,066
<b>Current assets</b>			
Inventories		<b>20,290</b>	19,821
Trade receivables	<i>11</i>	<b>37,729</b>	33,820
Other receivables, deposits and prepayments		<b>130,465</b>	111,008
Investments held for trading		<b>858</b>	704
Cash and cash equivalents		<b>42,188</b>	20,934
		<hr/>	<hr/>
		<b>231,530</b>	186,287
Assets classified as held for sale	<i>10</i>	<b>207,612</b>	207,612
		<hr/>	<hr/>
<b>Total current assets</b>		<b>439,142</b>	393,899
		<hr/>	<hr/>
<b>Total assets</b>		<b>627,847</b>	550,965
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>31,287</b>	9,655
Other payables and accruals		<b>34,956</b>	17,161
Customers' deposit		<b>3,837</b>	406
Convertible bonds	<i>13</i>	<b>246,250</b>	246,250
Other borrowing		<b>7,000</b>	–
		<hr/>	<hr/>
		<b>323,330</b>	273,472
Liabilities associated with assets classified as held for sale	<i>10</i>	<b>29,510</b>	29,510
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>352,840</b>	302,982
		<hr/>	<hr/>
<b>Net current assets</b>		<b>86,302</b>	90,917
		<hr/>	<hr/>

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NET ASSETS</b>		<b>275,007</b>	247,983
		<u>          </u>	<u>          </u>
<b>Equity</b>			
Share capital	<i>14</i>	<b>45,270</b>	30,180
Reserves		<b>192,210</b>	183,898
		<u>          </u>	<u>          </u>
<b>Equity attributable to owners of the Company</b>		<b>237,480</b>	214,078
<b>Non-controlling interests</b>		<b>37,527</b>	33,905
		<u>          </u>	<u>          </u>
<b>TOTAL EQUITY</b>		<b>275,007</b>	247,983
		<u>          </u>	<u>          </u>

## 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 2013	30,180	443,564	17,922	5,110	784	73,579	(321,340)	33,905	283,704
Loss for the period	-	-	-	-	-	-	(14,843)	-	(14,843)
Other comprehensive income	-	-	-	-	-	4,283	-	-	4,283
Total comprehensive income	-	-	-	-	-	4,283	(14,843)	-	(10,560)
Balance at 30 June 2013	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>5,110</u>	<u>784</u>	<u>77,862</u>	<u>(336,183)</u>	<u>33,905</u>	<u>273,144</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 2014	30,180	443,564	17,922	5,110	1,564	81,656	(365,918)	33,905	247,983
Loss for the period	-	-	-	-	-	-	(19,103)	(212)	(19,315)
Other comprehensive income	-	-	-	-	-	(7,419)	-	-	(7,419)
Total comprehensive income	-	-	-	-	-	(7,419)	(19,103)	(212)	(26,734)
Issue of Rights Shares, net of expenses	15,090	34,834	-	-	-	-	-	-	49,924
Acquisition of equity interest of subsidiary	-	-	-	-	-	-	-	3,834	3,834
Balance at 30 June 2014	<u>45,270</u>	<u>478,398</u>	<u>17,922</u>	<u>5,110</u>	<u>1,564</u>	<u>74,237</u>	<u>(385,021)</u>	<u>37,527</u>	<u>275,007</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended 30 June 2014 <i>HK\$'000</i>	Six months ended 30 June 2013 <i>HK\$'000</i>
Net cash used in operating activities	(3,274)	(26,870)
Net cash (used in)/generated from investing activities	(24,983)	21,728
Net cash generated from/(used in) financing activities	49,924	(6)
Net increase/(decrease) in cash and cash equivalents	21,667	(5,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,935	7,112
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(414)	99
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>42,188</u>	<u>2,063</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>42,188</u>	<u>2,063</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 principally engaged in the manufacture and sale of Polyethylene pipes ("PE pipes"), sale of composite materials and transmission and distribution of liquefied natural gas (LNG) 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 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 2013.

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 customer. An analysis of the Group's turnover is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of PE pipes	11,050	5,823	21,426	15,877
Transmission and distribution of LNG	3,814	–	3,814	–
	<u>14,864</u>	<u>5,823</u>	<u>25,240</u>	<u>15,877</u>

## 3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	18	6	38	11
Gain/(loss) on disposal of investments held for trading	–	(94)	–	262
Investment income from unlisted investment funds	–	454	–	494
Fair value loss on investments held for trading	(17)	(129)	(108)	(246)
Sundry income	206	–	274	–
	<u>207</u>	<u>237</u>	<u>204</u>	<u>521</u>

**4. FINANCE COSTS**

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on other borrowing	<u>123</u>	<u>2</u>	<u>225</u>	<u>6</u>

**5. LOSS BEFORE INCOME TAX**

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is arrived after charging:				
Minimum lease payments under operating lease charges in respect of land and buildings	402	268	892	510
Depreciation ( <i>Note</i> )	<u>3,534</u>	<u>3,471</u>	<u>6,988</u>	<u>6,866</u>

*Note:* Depreciation charge included amount of HK\$2,191,000 and HK\$4,384,000 respectively for the three months and six months ended 30 June 2014 (three months and six months ended 30 June 2013: HK\$1,492,000 and HK\$3,665,000 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 ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	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 six months ended 30 June 2014 (six months ended 30 June 2013: 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 June		Six months ended 30 June	
2014	2013	2014	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

<b>9,488</b>	7,566	<b>19,103</b>	14,843
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Three months ended 30 June		Six months ended 30 June	
2014	2013	2014	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

<b>622,837</b>	543,241	<b>583,259</b>	543,241
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Diluted loss per share for the three months and six months ended 30 June 2014 and 2013 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue for periods under review.

## 9. SEGMENT REPORTING

## Business segment

For the six months ended 30 June 2014

	Manufacture and sale of PE pipes <i>HK\$'000</i> (Unaudited)	Transmission and distribution of LNG <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	21,426	3,814	25,240
Reportable segment loss	(10,298)	(968)	(11,266)
Reportable segment assets	227,318	50,951	278,269
Reportable segment liabilities	(20,709)	(35,357)	(56,066)
Other segment information:			
Interest income			38
Investment income from unlisted investment fund			–
Gain on disposal of investments held for trading			–
Fair value loss on investments held for trading			109
Finance costs			225
Depreciation	6,436	69	6,505
Unallocated depreciation			483
Total depreciation			6,988
Amortisation of land use rights	384	–	384
Additions to non-current assets	105	273	378
Unallocated additions to non-current assets			98
Total additions to non-current assets			476

For the six months ended 30 June 2013

	Manufacture and sale of PE pipes <i>HK\$'000</i> (Unaudited)	Sale of composite materials <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	15,877	–	15,877
Reportable segment loss	(8,857)	–	(8,857)
Reportable segment assets	219,031	–	219,031
Reportable segment liabilities	(9,941)	–	(9,941)
Other segment information:			
Interest income			11
Investment income from unlisted investment fund			494
Gain on disposal of investments held for trading			262
Fair value loss on investments held for trading			(246)
Finance costs			6
Depreciation	6,498	–	6,498
Unallocated depreciation			368
Total depreciation			6,866
Amortisation of land use rights	388	–	388
Additions to non-current assets	373	–	373
Unallocated additions to non-current assets			4
Total additions to non-current assets			377

#### 10. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Following the approval of the Deed of Settlement (as defined below), the mining rights held by Zhong Ping (as defined below) group are being disposed of to the holder of the Convertible Bonds (as defined below). 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.

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Mining rights	<b>207,519</b>	207,519
Cash and cash equivalents	<b>1</b>	1
Other receivables	<b>92</b>	92
	<hr/>	<hr/>
Assets related to the mining business classified as held for sale	<b>207,612</b>	207,612
	<hr/>	<hr/>
Other payables	<b>255</b>	255
Deferred tax liabilities	<b>29,255</b>	29,255
	<hr/>	<hr/>
Liabilities of the mining business associated with assets classified as held for sale	<b>29,510</b>	29,510
	<hr/>	<hr/>
Net assets of the mining business classified as held for sale	<b>178,102</b>	178,102
	<hr/> <hr/>	<hr/> <hr/>

**11. TRADE RECEIVABLES**

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>64,877</b>	61,655
Less: Provision for impairment	<b>(27,148)</b>	(27,835)
	<b>37,729</b>	33,820

- (a) 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 is generally one month and can be extended to three months or more for major 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.
- (b) The below table reconciled the provision for impairment loss of trade receivables for the period:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
At beginning of the period/year	<b>27,835</b>	23,060
Impairment loss recognised	-	4,027
Bad debts written off	-	-
Exchange difference	<b>(687)</b>	748
	<b>27,148</b>	27,835

At 30 June 2014, the Group's trade receivables of HK\$27,148,000 were individually determined to be impaired. The individually impaired receivables related to debts for which management has experienced prolonged delay in settlement and assessed to be irrecoverable.



- (c) An aging analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>8,831</b>	7,260
31 – 60 days	<b>3,275</b>	2,193
61 – 90 days	<b>1,694</b>	1,263
Over 90 days	<b>23,929</b>	23,104
	<hr/>	<hr/>
	<b>37,729</b>	33,820
	<hr/> <hr/>	<hr/> <hr/>

- (d) An aging analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Not past due	<b>23,637</b>	12,506
	<hr/>	<hr/>
Less than 31 days past due	<b>3,611</b>	100
31 – 60 days past due	<b>1,939</b>	1,048
61 – 90 days past due	<b>663</b>	2,512
Over 90 days but less than 1 year past due	<b>3,197</b>	9,893
Over 1 year but less than 2 years past due	<b>4,682</b>	7,761
	<hr/>	<hr/>
	<b>14,092</b>	21,314
	<hr/>	<hr/>
	<b>37,729</b>	33,820
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE PAYABLES

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

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>5,139</b>	382
31 – 60 days	<b>4,280</b>	389
61 – 90 days	<b>555</b>	6
Over 90 days	<b>21,313</b>	8,878
	<hr/>	<hr/>
	<b>31,287</b>	9,655
	<hr/> <hr/>	<hr/> <hr/>

## 13. CONVERTIBLE BONDS

The Group's and the Company's outstanding convertible bonds as at 30 June 2014 and 31 December 2013 represented the 4.5% convertible bonds issued to Lehman Brothers on 31 October 2007 at a principal amount of HK\$246,250,000 (the "Bonds"). The Bonds matured on 31 October 2010 and no conversion had taken place since the Bonds were issued.

Coupon interest of 4.5% per annum was payable semi-annually in arrears and accrued up to 31 October 2010. The effective interest of the Bonds was determined at 9.11% per annum using the effective interest method. The carrying value of the Bonds as at 30 June 2014 equalled the principal amount of HK\$246,250,000 (31 December 2013: HK\$246,250,000).

In 2008, Lehman Brothers was put into liquidation, the process of which is still in progress as of the date of approval of these financial statements. The Company and Lehman Brothers are in the process of completing the redemption of the Bonds.

The fair value of the liability component of the Bonds was calculated using the prevailing market interest rate for a similar non-convertible instrument. The residual amount, representing the value of the equity conversion component, was included in equity.

**14. SHARE CAPITAL**

	Number of shares '000	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.0625 each at 30 June 2014, 1 January 2014 and 31 December 2013	1,920,000	120,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.0625 each at 1 January 2014 and 31 December 2013	482,881	30,180
Rights Issue	241,440	15,090
<b>Ordinary shares of HK\$0.0625 each at 30 June 2014</b>	<b>724,321</b>	<b>45,270</b>

**15. OPERATING LEASE ARRANGEMENTS****The Group**

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.

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	1,548	1,582
After one year but within five years	912	3,725
More than 5 years	–	3,521
	<b>2,460</b>	8,828

**16. CAPITAL COMMITMENTS****The Group**

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

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Purchase of property, plant and equipment contracted but not provided for	-	-
	<u>          </u>	<u>          </u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

Turnover of the Group for the six months ended 30 June 2014 was increased when compared to the corresponding period in 2013. Turnover of the Group for the current period included the turnover of the liquefied natural gas (the “LNG”) business from June 2014. However, there is still much room for the turnover to improve. The Board believes that turnover of the Group will be improved with the new LNG business and anticipated improvement of the Polyethylene pipes (“PE pipes”) business.

With the acquisition of Can Guang Petrochemical (Fujian) Co., Ltd.\* and the formation of Jiang Xi China Primary Energy Limited\* in the period under review, the natural gas business is heading the right position and become one of the major business of the Group.

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. With the new LNG business, the Board believes the turnover and the result of the Group will be much better in the third quarter of 2014 and thereafter.

As mentioned above, due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under improved turnover and a strengthened customer portfolio, gross margin will definitely improve in the third quarter of 2014 and in the long term.

The business segment of the PE pipes has been the core business of the Group during the period under review and continued as one of the main business of the Group in 2014. The PE pipes are products employed for construction and city development in the People's Republic of China (the "PRC"). The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continue development of the PRC economy and improvement of the property market in the long term, the Board believes that the demands for the PE pipes 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 disposal of subsidiaries**

On 31 October 2007, the Company issued to Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (the "Bondholder") the then 4.5% convertible bonds of the Company in the principal amount of approximately HK\$246 million (the "Convertible Bonds" or "Bonds") which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the joint and several liquidators of Lehman Brothers (the "Liquidators") entered into the original agreement (the "Original Deed of Settlement") to set out the terms for the redemption of the Bonds. Details of the Original Deed of Settlement were set out in the announcement of the Company dated 27 September 2010 and the circular of the Company dated 11 October 2010. On 27 October 2010, the Original Deed of Settlement was approved by the Shareholders. Pursuant to the Original Deed of Settlement, the redemption of the Bonds is subject to fulfillment of certain conditions including but not limited to the transfer of the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder and the payment of an aggregate amount of HK\$85 million. As at the date of this report, an aggregate payment of HK\$85 million has been made to the Bondholder but the transfer of such Sale Interest has not been effected as the necessary approvals and consent for the transfer of the 70% equity interest in ARIA LLC, a company incorporated in Mongolia with limited liability ("ARIA"), to Lehman Brothers or other third party in accordance with the terms of the Original Deed of Settlement (the "ARIA Transfer") has not been obtained from the relevant government authorities in Mongolia. Thus, the redemption of the Bonds has not been completed as at the date of this report.

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited (“Zhong Ping”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability (being the holder of the 70% equity interest in ARIA), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder elected to receive a transfer of the 70% equity interest in ARIA. To the best knowledge of the Directors, the registration of the ARIA Transfer could not be completed without a new joint venture agreement between a new shareholder and Selenge Mining LLC, a company organized and existing under the laws of Mongolia (the “Minority Shareholder”), having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the Minority Shareholder, it is unpredictable when a new joint venture agreement can be agreed and signed.

After negotiations with the Bondholder and the Liquidators, the Company entered into a supplemental deed on 15 January 2014 (the “Supplemental Deed”) with the Bondholder and the Liquidators, pursuant to which the Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consent required for the ARIA Transfer in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agrees to pay a total of approximately HK\$122,000,000 and to transfer the Sale Interest (which is classified as assets classified as held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds. The long-stop date has been extended several times to 22 August 2014 to allow more time for the transfer of the Sale Interest.

Details are set out in the announcements dated 27 September 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, 31 October 2013, 29 November 2013, 30 December 2013, 15 January 2014, 29 April 2014, 23 May 2014, 20 June 2014 and 17 July 2014 and the circulars dated 11 October 2010 and 12 March 2014 of the Company.

### **Loan Agreement**

Taking into account the current financial position of the Company, the Company has entered into a loan agreement (the “Loan Agreement”) with an independent third party to finance the payment of the non-refundable deposit in the sum of HK\$6 million (the “Deposit”) and the amount in HK\$ that is equal to the HK\$ equivalent of RMB24,000,000 (the “Fourth Payment Amount”). On 15 January 2014, the Company (as borrower) and Excel Sino Investments Limited (as lender) entered into the Loan Agreement, pursuant to which the Lender agreed to provide loans up to HK\$38.0 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

Details are set out in the announcement dated 15 January 2014 and the circular dated 12 March 2014 of the Company.

### **The Discloseable Transaction – Acquisition**

On 10 April 2014, China Primary Energy (Shenzhen) Limited\* (中基能源(深圳)有限公司), a wholly-owned subsidiary of the Company which is established in the PRC, as the purchaser (the “Purchaser”), Shenzhen Xin He Enterprise Management Consulting Co., Ltd.\* (深圳鑫河企業管理諮詢有限公司), as the vendor (the “Vendor”) and Zou Shuyan\* (鄒淑豔) and Xu Haijun\* (徐海軍), as the guarantors (the “Guarantors”) entered into the sale and purchase agreement (the “SP Agreement”) pursuant to which the Purchaser conditionally agreed to acquire (the “Acquisition”) and the Vendor conditionally agreed to sell 70% of the registered capital of Can Guang Petrochemical (Fujian) Co., Ltd.\* (燦光石化(福建)有限公司) (the “Target Company”), a company established in the PRC and the assigned debt (all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the completion of the SP Agreement (the “Completion”) whether actual, contingent or deferred or irrespective of whether or not the same is due and payable on completion, which will be assigned to the Purchaser upon Completion which as at 31 December 2013 amounted RMB3.5 million) at the consideration of RMB23.5 million (equivalent to approximately HK\$29.7 million) (the “Consideration”).



Based in Fujian Province and currently expanding in the PRC, the Target Company and its subsidiaries (the “Target Group”) is principally engaged in the supply of the LNG to the customers for industrial, commercial and household uses through sourcing of LNG from the upstream suppliers including but not limited to state-owned enterprise.

The scope of the Target Group’s business includes transmission and distribution of LNG. The main business operations of the Target Group is located in areas including Zhangzhou, Fuzhou, Ningde and Nanping, the PRC. The Target Group has built up its customer base in these areas for the supply of LNG.

The aggregate Consideration for the Acquisition of RMB23.5 million (equivalent to approximately HK\$29.7 million) was paid as follows:

- (1) RMB2.35 million (equivalent to approximately HK\$2.97 million) as the deposit and as part of the Consideration, was paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor at the time of the signing of the SP Agreement; and
- (2) the remaining balance of RMB21.15 million (equivalent to approximately HK\$26.77 million) was paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor upon Completion.

Details are set out in the announcement dated 10 April 2014 of the Company.

The transaction has completed and the Target Company became the subsidiary of the Company on 9 June 2014.

## Rights Issue

The issue by way of rights of 241,440,492 rights shares (the “Rights Share(s)”) in the proportion of one Rights Share for every two shares at a price of HK\$0.21 per Rights Share (the “Rights Issue”) was duly completed on 5 June 2014. Total net proceeds of approximately HK\$49 million was received and the Company intends to apply the net proceeds from the Rights Issue (i) as to about 60% thereof for the funding and further development of the Group’s existing and future businesses, including but not limited to, the financing of possible acquisition and investment opportunities; and (ii) as to about 40% thereof as the general working capital of the Group. Pursuant to the announcement of the Company dated 10 April 2014, the Company is contemplating an acquisition of the Target Company which is principally engaged in LNG business and the expected consideration for such acquisition is approximately HK\$29.7 million, which is about 60% of the net proceeds.

Pursuant to underwriting agreement dated 11 April 2014 (the “Underwriting Agreement”) entered into between Ms. Ma Zheng, executive director and chairman of the Company (as underwriter), and the Company in relation to the Rights Issue, Ms. Ma Zheng has taken up her provisional allotment of an aggregate of 121,837,581 Rights Shares under the Rights Issue in full. Ms. Ma Zheng has also made an application for 30,000,000 excess Rights Shares and has acquired from the market an additional 3,280,000 Rights Shares. The excess Rights Shares allocated to Ms. Ma Zheng was 1,488,889 Rights Shares, being approximately 4.96% of 30,000,000 excess Rights Shares. As a result, the number of Shares held by Ms. Ma Zheng immediately after the Rights Issue is 370,281,632 Shares.

Details are set out in the announcements dated 11 April 2014 and 4 June 2014 and the Prospectus dated 12 May 2014 of the Company.

### **The Discloseable Transaction – Finance Lease Agreements**

On 31 July 2014 (after trading hours), Can Guang Petrochemical (Fujian) Co., Ltd.\* (燦光石化(福建)有限公司) (the “Lessee”), a non wholly-owned subsidiary of the Company, as a lessee, entered into the finance lease agreements (together the equipment finance lease agreement and the transportation vehicle finance lease agreement) with CIMC Financing and Leasing Co., Ltd.\* (中集融資租賃有限公司), an independent third party (the “Lessor”), as a lessor, pursuant to which the Lessor agreed to purchase various machinery and equipment in relation to the supply of LNG and one low-temperature liquid transportation vehicle specializing in transport LNG (the “Leasing Equipment and Transportation Vehicle”) from suppliers or manufacturers at the request of the Lessee and then the Lessor shall lease the Leasing Equipment and Transportation Vehicle to the Lessee for a period of 36 months commencing from the date of delivery of the leasing equipment or the leasing transportation vehicle, as the case maybe. The total lease payments payable under the finance lease agreements is approximately RMB13,841,164.

The Company has provided guarantee in favour of the Lessor for, including but not limited to, unpaid deposit, unpaid lease payment, compensation, handling charge, default interest or other payables by the Lessee relating to the finance lease agreements.

Details are set out in the announcement dated 31 July 2014 of the Company.

### **Financial review**

Turnover was approximately HK\$25,240,000 for the six months ended 30 June 2014, which represented an increase of approximately 59% when compared with approximately HK\$15,877,000 in the corresponding period of last year. However, there is still much room for the turnover to improve. The Board believes that turnover of the Group will be improved with the new LNG business and anticipated improvement of the PE pipes business.

For the six months ended 30 June 2014, the unaudited loss before income tax was approximately HK\$19,315,000 (six months ended 30 June 2013: loss of approximately HK\$14,843,000). The loss attributable to owners of the Company was approximately HK\$19,103,000 (six months ended 30 June 2013: loss of approximately HK\$14,843,000). 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 of the Company.

### **Liquidity and financial resources**

As at 30 June 2014, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

### **Employee information**

As at 30 June 2014, the Group has 5 full-time employees working in Hong Kong and 204 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2014 amounted to approximately HK\$8,465,000. 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. Save as disclosed in the section headed "Rights Issue" above, 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, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2014.

**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**

During the period under review, save as disclosed in the section headed “The Discloseable Transaction – Finance Lease Agreements” above, the Group did not have any significant contingent liabilities and no assets of the Group were pledged (six months ended 30 June 2013: Nil).

**Gearing ratio**

As at 30 June 2014, current assets of the Group amounted to approximately HK\$439,142,000 which included cash of approximately HK\$28,336,000 and RMB11,088,000 and assets classified as held for sale of HK\$207,612,000 while current liabilities stood at approximately HK\$352,840,000 which included the Bonds of HK\$246,250,000 and liabilities associated with assets classified as held for sale of HK\$29,510,000. Shareholders’ funds amounted to approximately HK\$237,480,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 88.88% (the Bonds plus other borrowing and than less cash balances to equity attributable to owners of the Company) as of 30 June 2014.

**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 2014, 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 724,321,476 ordinary shares in issue as at 30 June 2014.

*Long position in the ordinary shares of HK\$0.0625 each in the Company as at 30 June 2014:*

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		370,281,632	51.12%

*Note:* Pursuant to the Underwriting Agreement dated 11 April 2014, Ms. Ma Zheng has taken up her provisional allotment of an aggregate of 121,837,581 Rights Shares under the Rights Issue in full. Ms. Ma Zheng has also made an application for 30,000,000 excess Rights Shares and has acquired from the market an additional 3,280,000 Rights Shares. The excess Rights Shares allocated to Ms. Ma Zheng was 1,488,889 Rights Shares, being approximately 4.96% of 30,000,000 excess Rights Shares. As a result, the number of Shares held by Ms. Ma Zheng immediately after the Rights Issue is 370,281,632 Shares.

Save as disclosed above, as at 30 June 2014, 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 8 May 2012, a new share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company. The purpose of the 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 Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any Director 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 Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The 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 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 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 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.

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 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 Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the 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 June 2014, 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 724,321,476 ordinary shares in issue as at 30 June 2014.

*Long position in the underlying shares or debentures of the Company as at 30 June 2014:*

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

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

Save as disclosed above, as at 30 June 2014, 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 Rules 5.28 and 5.29 of 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 three months and six months ended 30 June 2014 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 the remuneration of all 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 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 comprises 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 six months ended 30 June 2014. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the six months ended 30 June 2014.

### ***COMPLIANCE WITH CORPORATE GOVERNANCE CODE***

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2014 save for the followings.

**Code Provision A.2.1**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the period under review, the Group still did not have an officer with the title of “Chief Executive” (the “CE”). 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 CE. 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 the 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 Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for specific terms. However, he is 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 Tze Fan Terence.

**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 2014.

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

Hong Kong, 11 August 2014

\* *the English translation of Chinese names or words in this report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*As at the date of this report, the Board comprises Ms. MA Zheng, Mr. WONG Pui Yiu and Mr. PAN Feng 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.*