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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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.

This announcement, 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover was approximately HK$38,712,000 for the year ended 31 December 2009 (2008: approximately HK$72,770,000), representing a decrease of approximately 47%.

Loss attributable to owners of the Company amounted to approximately HK$864,145,000 (2008: loss approximately HK$1,243,920,000).

The Board do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: HK$Nil).

AUDITED RESULTS

The board of directors (the "Board") of China Primary Resources Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Turnover	5	**38,712**	72,770
Other income and gain	6	**539**	7,524
Cost of inventories sold		**(33,110)**	(70,676)
Staff costs, including directors' remuneration	13	**(8,280)**	(49,435)
Depreciation		**(2,451)**	(1,770)
Amortisation of mining rights		**(8,090)**	(12,552)
Amortisation of land use rights		**(698)**	(694)
Other operating expenses		**(14,241)**	(13,793)
Impairment loss on mining rights		**–**	(230,814)
Impairment loss on available-for-sale investments		**(805,580)**	–
Share of losses of associates, net		**(10,282)**	(1,155,573)
Excess of the Group's share of the fair value of the identifiable net assets of the subsidiaries acquired over the cost of acquisition		**–**	118,110
Finance costs	8	**(24,908)**	(25,330)
Loss before income tax	7	**(868,389)**	(1,362,233)
Income tax credit	9	**2,184**	63,236
Loss for the year		**(866,205)**	(1,298,997)
Loss attributable to:			
Owners of the Company	11	**(864,145)**	(1,243,920)
Minority interests		**(2,060)**	(55,077)
		(866,205)	(1,298,997)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted (HK$)		**(0.865)**	(1.289)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Loss for the year		**(866,205)**	(1,298,997)
Other comprehensive income			
Exchange differences on translation of associates		**18,106**	134,220
Exchange differences on translation of foreign operations		**(2,022)**	23,573
Other comprehensive income for the year, net of tax		**16,084**	157,793
Total comprehensive income for the year		**(850,121)**	(1,141,204)
Total comprehensive income for the year attributable to:			
Owners of the Company	11	**(845,037)**	(1,087,964)
Minority interests		**(5,084)**	(53,240)
		(850,121)	(1,141,204)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**83,956**	62,808
Land use rights		**30,926**	31,477
Mining rights		**206,963**	214,057
Interests in associates		**–**	1,112,008
Available-for-sale investments		**314,800**	–
Deposits paid		**57,231**	91,462
		693,876	1,511,812
Current assets			
Inventories	14	**50,719**	9,092
Trade receivables	15	**10,788**	45,081
Other receivables, deposits and prepayments		**54,550**	12,841
Tax recoverable		**45**	45
Cash and cash equivalents		**76,071**	99,361
		192,173	166,420
Current liabilities			
Trade payables	16	**2,512**	3,178
Other payables and accruals		**2,457**	14,596
Convertible bonds		**241,271**	6,228
		246,240	24,002
Net current (liabilities)/assets		**(54,067)**	142,418
Total assets less current liabilities		**639,809**	1,654,230
Non-current liabilities			
Convertible bonds		**–**	232,552
Deferred tax liabilities		**180,634**	182,818
Convertible preferred shares		**50,992**	55,756
		231,626	471,126
Net assets		**408,183**	1,183,104
EQUITY			
Share capital		**15,370**	10,247
Reserves		**359,556**	1,134,516
Equity attributable to owners of the Company		**374,926**	1,144,763
Minority interests		**33,257**	38,341
Total equity		**408,183**	1,183,104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred shares reserve	Warrants reserve	Exchange translation reserve	(Accumulated losses)/ retained profits	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2008	9,344	188,251	18,985	–	5,110	753,639	7,619	12,954	1,084,976	3,703	2,084,581
Total comprehensive income for the year	–	–	–	–	–	–	–	155,956	(1,243,920)	(53,240)	(1,141,204)
Acquisition of equity interest of subsidiaries	–	–	–	–	–	–	–	–	–	87,878	87,878
Issue of shares	903	107,398	–	–	–	–	–	–	–	–	108,301
Recognition of equity-settled share-based compensation	–	–	–	43,548	–	–	–	–	–	–	43,548
Release of reserve upon lapse of share options	–	–	–	(5,517)	–	–	–	–	5,517	–	–
Balance at 31 December 2008 and 1 January 2009	10,247	295,649	18,985	38,031	5,110	753,639	7,619	168,910	(153,427)	38,341	1,183,104
Total comprehensive income for the year	–	–	–	–	–	–	–	19,108	(864,145)	(5,084)	(850,121)
Issue of rights shares, less issue expenses	5,123	70,077	–	–	–	–	–	–	–	–	75,200
Redemption of convertible bonds	–	–	(1,063)	–	–	–	–	–	1,063	–	–
Release upon lapse of warrants	–	–	–	–	–	–	(7,619)	–	7,619	–	–
Balance at 31 December 2009	15,370	365,726	17,922	38,031	5,110	753,639	–	188,018	(1,008,890)	33,257	408,183

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Organisation and operations

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 (i) manufacture and sale of Polyethylene ("PE")/Fibre Glass Reinforced Plastic ("FRP") pipes and (ii) mining businesses that operates primarily in the markets of the independent sovereign state of Mongolia ("Mongolia") and the People's Republic of China (the "PRC"). The latter is operated through the Group's available-for-sale investments.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements include applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(c) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value.

These financial statements have been prepared on a going concern basis notwithstanding that the Group recorded net current liabilities of HK$54,067,000 at the end of reporting period and had outstanding 4.5% convertible bonds, comprising the liability component of HK$241,271,000 and equity component of HK$17,922,000 as at 31 December 2009. The convertible bonds which have a nominal value of HK$246,250,000 are due for redemption on 31 October 2010. The Group incurred a loss attributable to owners of the Company of HK$864,145,000 for the current year.

During and after the reporting period, the directors have been in discussion with the Joint and Several Liquidators of Lehman Brothers Commercial Corporation Asia Limited (In liquidation) ("LBCCA"), the holder of the above 4.5% convertible bonds, for the settlement of the bonds which fall due on 31 October 2010 (the "Proposed Settlement"). As at the end of reporting period and at the date of approval of these financial statements, the Group has yet to conclude the Proposed Settlement with LBCCA. The Group's liquidity and its ability to meet its operating costs and financial obligations are dependent on LBCCA continuing to exercise forbearance pending the outcome of the Proposed Settlement.

In the opinion of the directors, if the Proposed Settlement accomplishes the expected satisfactory results, the Group will have the ability to generate funds internally sufficient to meet its future working capital requirements and financial obligations. Accordingly, the directors consider that it is appropriate to prepare these financial statements on a going concern basis.

The applicability of the going concern basis depends on the outcome of the Proposed Settlement and the Group's ability to generate funds internally sufficient to meet its future working capital requirements and financial obligations. The financial statements do not include any adjustments that would result if the outcome of the Proposed Settlement would not proceed. If the above measurements would not proceed, or if the going concern basis was not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the assets of the Group to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 related to the amendment paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 & HKAS 39 (Amendments)	Embedded Derivatives

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised) and other changes as set out below. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statement of financial position at the beginning of the financial year ended 31 December 2008 have not been presented as there were no changes to the originally published statements.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

		Effective date
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs	(i)
HKFRSs (Amendments)	Improvements to HKFRSs 2009	(ii)
Amendments to HKAS 39	Eligible Hedged Items	(i)
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	(iii)
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirements	(v)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	(i)
HKFRS 3 (Revised)	Business Combinations	(i)
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(iv)
HKAS 24 (Revised)	Related Party Disclosures	(v)
HKFRS 9	Financial Instruments	(vi)

Effective date:

(i) Annual periods beginning on or after 1 July 2009

(ii) Annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

(iii) Annual periods beginning on or after 1 January 2010

(iv) Annual periods beginning on or after 1 July 2010

(v) Annual periods beginning on or after 1 January 2011

(vi) Annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. AUDITORS' OPINION

The Auditors expressed a disclaimer of opinion on the financial statements of the Group for the year ended 31 December 2009. The basis for the disclaimer is as follows:

Basis for disclaimer of opinion on the fundamental uncertainty relating to the going concern basis of the Group

As set out in Note 1(c) to this announcement, the Group incurred a loss attributable to the owners of the Company of HK$864,145,000 for the year ended 31 December 2009. As at that date, the Group had consolidated net current liabilities of HK$54,067,000. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful outcome of the proposed settlement of the 4.5% convertible bonds which fall due on 31 October 2010 with the Joint and Several Liquidators of Lehman Brothers Commercial Corporation Asia Limited (In liquidation) (the "Lehman Liquidators"), the holder of the 4.5% convertible bonds, favourable outcomes of the steps being taken by the directors to generate funds internally sufficient to meet the Group's future working capital and financial requirements.

The material uncertainty with regard to whether or not a settlement can be reached with the Lehman Liquidators is so fundamental that it casts significant doubt about the ability of the Group to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than the amounts at which they are currently stated in the consolidated financial statements. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

Basis for disclaimer of opinion on the carrying amounts of mining rights

Included in the consolidated statement of financial position as at 31 December 2009 were mining rights with carrying amounts of HK$206,963,000. The carrying amounts of the mining rights as at 31 December 2009 were determined by the directors of the Company with reference to the external professional valuation which has been prepared using the discounted cash flow method and based on the assumption that the Group is a going concern such that the mining operations will continue and generate cash flows without any threats of closure or liquidation in the foreseeable future. However, because of the fundamental uncertainty relating to the going concern of the Group as described in the basis for disclaimer opinion paragraph (1) above, the auditors were unable to obtain sufficient evidence to satisfy themselves as to whether the valuation methodology and the assumption adopted by the directors of the Company in their valuation of the mining rights were appropriate. There were no other alternative audit procedures that the auditors could carry out to satisfy themselves as to whether the carrying amounts of the mining rights are fairly stated in the consolidated statement of financial position. Any adjustments found to be necessary may have an effect on the Group's net assets as at 31 December 2009 and the Group's results for the year then ended.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, the auditors do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the results and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Manufacture and sale of PE/FRP pipes
– Sale of raw materials and composite materials (collectively as the "composite materials")
– Mining operations

Segment assets exclude interest in associates. cash and cash equivalents and available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, deferred tax liabilities and convertible preferred shares and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There was no inter-segment sale or transfer during the year (2008: HK$Nil). Central revenue and expenses are not allocated to the operating segments as they are not included the measure of the segments' loss that is used by the chief operating decision-makers for assessment of segment performance.

(a) Business segments

	Manufacture and sale of PE/FRP pipes		Sale of composite materials		Mining operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**29,780**	19,772	**8,932**	52,998	**–**	–	**38,712**	72,770
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**29,780**	19,772	**8,932**	52,998	**–**	–	**38,712**	72,770
Reportable segment loss	**(4,705)**	(1,658)	**(2,667)**	(362)	**(8,275)**	(243,485)	**(15,647)**	(245,505)
Reportable segment assets	**263,012**	151,581	**21,945**	25,638	**207,042**	214,057	**491,999**	391,276
Reportable segment liabilities	**(3,647)**	(16,705)	**–**	–	**(179)**	(215)	**(3,826)**	(16,920)
Other segment information:								
Share of losses of associates, net	**–**	–	**–**	–	**(10,282)**	(1,155,573)	**(10,282)**	(1,155,573)
Impairment loss on available-for-sale investments	**–**	–	**–**	–	**(805,580)**	–	**(805,580)**	–
Interest revenue							**125**	2,267
Finance costs							**(24,908)**	(25,330)
Depreciation and impairment losses	**3,861**	2,902	**–**	–	**4**	243,366	**3,865**	246,268
Unallocated depreciation							**753**	89
Total depreciation and impairment losses							**4,618**	246,357
Amortisation of land use rights	**698**	694	**–**	–	**–**	–	**698**	694
Amortisation of mining rights	**–**	–	**–**	–	**8,090**	12,552	**8,090**	12,552
Income tax credit	**–**	–	**–**	–	**(2,022)**	(61,120)	**(2,022)**	(61,120)
Unallocated income tax credit							**(162)**	(2,116)
Total income tax credit							**(2,184)**	(63,236)
Additions to non-current assets	**25,472**	35,507	**–**	–	**–**	451,888	**25,472**	487,395
Unallocated additions to non-current assets							**111**	219
Total additions to non-current assets							**25,583**	487,614
Interests in associates	**–**	–	**–**	–	**–**	1,112,008	**–**	1,112,008
Available-for-sale investments	**–**	–	**–**	–	**314,800**	–	**314,800**	–

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2009	2008
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(15,647)**	(245,505)
Other income and gain	**539**	7,524
Share of losses of associates, net	**(10,282)**	(1,155,573)
Excess of the Group's share of the fair value of the identifiable net assets of the subsidiaries acquired over the cost of acquisition	**–**	118,110
Impairment loss on available-for-sale investments	**(805,580)**	–
Corporate and other unallocated expenses	**(12,511)**	(61,459)
Finance costs	**(24,908)**	(25,330)
Consolidated loss before income tax	**(868,389)**	(1,362,233)

	2009	2008
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**491,999**	391,276
Interests in associates	**–**	1,112,008
Available-for-sale investments	**314,800**	–
Cash and cash equivalents	**76,071**	99,361
Unallocated corporate assets	**3,134**	75,542
Tax recoverable	**45**	45
Consolidated total assets	**886,049**	1,678,232

	2009	2008
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(3,826)**	(16,920)
Convertible bonds	**(241,271)**	(238,780)
Deferred tax liabilities	**(180,634)**	(182,818)
Convertible preferred shares	**(50,992)**	(55,756)
Unallocated corporate liabilities	**(1,143)**	(854)
Consolidated total liabilities	**(477,866)**	(495,128)

(c) Geographic information

During the reporting period, the Group's operations and non-current assets other than financial instruments (specified non-current assets) are located in the PRC and Mongolia. The specified non-current assets information below is based on the location of assets.

Segment information of the Group by geographical locations by customer is presented as below:

	The PRC		Mongolia		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**38,712**	72,770	**–**	–	**38,712**	72,770
Specified non-current assets	**484,913**	1,229,370	**206,963**	214,057	**691,876**	1,443,427
Unallocated non-current assets					**2,000**	68,385
Total non-current assets					**693,876**	1,511,812

(d) Information about major customers

The Group's customer base is not diversified and there were two customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from sale of composite materials to these two customers were approximately HK$7,089,000 (2008: HK$20,034,000) and HK$1,840,000 (2008: HK$32,963,000) respectively and revenues from manufacture and sale of PE/FRP pipes to these two customers were approximately HK$3,912,000 (2008: HK$5,440,000) and HK$5,059,000 (2008: HK$13,874,000) respectively.

5. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied to customers and is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Sale of PE/FRP pipes	**29,780**	19,772
Sale of composite materials	**8,932**	52,998
	38,712	72,770

6. OTHER INCOME AND GAIN

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**125**	2,267
Compensation from a supplier#	**–**	5,253
Gain on deregistration of a subsidiary	**320**	–
Sundry income	**94**	4
	539	7,524

The amount in 2008 represented compensation received from a supplier of equipment for non-delivery of the equipment ordered.

7. LOSS BEFORE INCOME TAX

	2009	2008
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**680**	720
Minimun lease payments under operating lease charges in respect of land and buildings	**2,380**	2,530
Net foreign exchange losses	**–**	868
Depreciation *(Note)*	**4,618**	2,991
Write-off of property, plant and equipment	**108**	3

Note: Depreciation charge of HK$2,167,000 (2008: HK$1,221,000) has been included in cost of inventories sold on the face of the consolidated income statement.

8. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest expenses on convertible bonds maturing within five years	**19,936**	20,184
Imputed interest on convertible preferred shares	**4,764**	4,764
Others	**208**	382
	24,908	25,330

9. INCOME TAX

Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – PRC tax	**–**	301
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	**(2,184)**	(63,537)
Total tax credit for the year	**(2,184)**	(63,236)

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 years. 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, 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 corporate income tax ("CIT") for the first two profitable financial years of its operation and thereafter a 50% relief from the state CIT of the PRC for the following three financial years (the "Tax Holiday"). Upon expiry of the Tax Holiday, the usual PRC CIT rate is 25%. No provision for CIT has been made as the subsidiary sustained a loss during the current and prior years.

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2009 (2008: HK$Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$29,208,000 (2008: HK$112,279,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 999,403,000 (2008: 964,907,000 as restated) in issue during the year, as adjusted to reflect the rights issue and share consolidation during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of dilution as the impact of the convertible bonds, convertible preferred shares, share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of diluted loss per share is based on the loss for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds and convertible preferred shares and the related income tax effect. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the full redemption or conversion of all dilutive potential ordinary shares into ordinary shares.

The basic and diluted loss per share are calculated as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(864,145)**	(1,243,920)
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**999,403**	964,907

As the convertible bonds, convertible preferred shares, share options and warrants, 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 calcualtion of diluted loss per share in both reporting periods. Accordingly, the basic and diluted loss per share for the respective reporting periods are the same.

13. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2009	2008
	HK$'000	*HK$'000*
Wages and salaries	**7,767**	5,824
Share options granted to directors and employees	**–**	43,548
Pension costs – defined contribution plans	**513**	63
	8,280	49,435

14. INVENTORIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**25,458**	8,115
Work in progress	**205**	4
Finished goods	**25,056**	973
	50,719	9,092

15. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended 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.

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**7,862**	3,729
31 – 60 days	**743**	4,669
61 – 90 days	**787**	13,532
Over 90 days	**1,396**	23,151
	10,788	45,081

At 31 December 2009 and 2008, all of the Group's trade receivables were neither past due nor impaired and related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised as at the end of the reporting periods.

16. TRADE PAYABLES

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**925**	1,494
31 – 60 days	**584**	1,661
61 – 90 days	**62**	13
Over 90 days	**941**	10
	2,512	3,178

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The financial tsunami broke out in the second half of the year 2008 had great impact on the economy of the whole world, including the People's Republic of China (the "PRC") and Hong Kong. The performance and financial position of a lot of business corporations are greatly affected. The Group, however, is still maintaining a competitive position in the market with effective cost control and cash management. As expected, turnover for the year under review was reduced significantly due to the unfavourable economic condition. Other than this, the performance of the Group for the year under review was not seriously affected and is expected to improve when the economy recovers.

The business segment of the Polyethylene Pipes ("PE Pipes") and Fibre Glass Reinforced Plastic Pipes ("FRP Pipes") was performing well in 2009 and was the main business of the Group in 2009. This business segment has been the core business of the Group for many years. The PE Pipes and FRP 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 rapid and continuous development of the PRC, the Directors believe that the demands for our products are both sustainable and look set to increase.

During the year under review, the Group's shareholding in Xin Shougang Zi Yuan Holdings Limited ("Xin Shougang"), previously an associated company of the Group, reduced from 22.28% to 12.21%. The reduction was mainly due to the injection of additional share capital into Xin Shougang by the controlling shareholder of Xin Shougang. The investments are now classified as available-for-sale investments.

Save as mentioned above, during the year under review, the Group continued to engage in (i) manufacture and sale of PE Pipes and FRP Pipes and sale of composite materials; and (ii) mining businesses operating primarily in the markets of the independent sovereign state of Mongolia and the PRC. The latter is operated through the Group's investments in Xin Shougang.

The manufacture business is expected to improve its performance as the economy recovery. However, the financial tsunami broke out in 2008 has already affected the progress to commence the mining business. The management will carefully monitor the mining business for the benefit of the Company.

AUDITORS' REPORT – DISCLAIMER OF OPINION

Due to the fundamental uncertainty relating to the going concern basis of the Group, which in turn is due to the expiry of the convertible bonds issued by Lehman Brothers Commercial Corporation Asia Limited (In Liquidation) ("Lehman Brothers") in October 2010, the auditors do not express an opinion on the financial statements as to whether or not they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the loss and cash flow of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. Please refer to Note 3 to the financial statements of this announcement for detail.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$38,712,000, which represented a decrease of 47% when compared with last year's turnover of approximately HK$72,770,000. The decrease in sale was mainly due to the decrease in sale of composite materials which contributed for over 73% of total turnover in the previous period. Such a decrease was mainly due to the unfavourable economic conditions and also the shifting of the Group's resources to the manufacture and sale of PE Pipes and FRP Pipes.

During the year under review, audited loss before income tax was approximately HK$868,389,000 while audited loss before income tax of last year was approximately HK$1,362,233,000. The loss attributable to owners of the Company was approximately HK$864,145,000 (2008: loss of approximately HK$1,243,920,000). The significant losses in 2009 and 2008 were mainly attributable to the significant impairment loss in the Group's investment in Xin Shougang. 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 shareholders.

The current major challenge faced by the Group is to find a solution to settle the convertible bonds with Lehman Brothers. The liquidation of Lehman Brothers was totally unexpected. Because the convertible bonds issued by Lehman Brothers are due for redemption in October 2010, the Group is now in a net current liability position. The Company has been negotiating with the Joint and Several Liquidators of Lehman Brothers (In Liquidation) to look for a settlement solution. The directors are doing their best to investigate and come to a solution. Shareholders will be informed once there is a progress.

Rights Issue

The issue by way of rights of 4,098,677,600 rights shares (the "Rights Share(s)") in the proportion of one Rights Share for every two shares held at a price of HK$0.02 per Rights Share (the "Rights Issue") was duly completed on 7 August 2009. Total net proceeds of approximately HK$75 million were received and the Company has applied proceeds of approximately HK$60 million to facilitate future development and expansion of the foregoing PE Pipes and FRP Pipes production business in the PRC. Details of the Rights Issue are set out in the announcement and the prospectus of the Company dated 24 June 2009 and 15 July 2009 respectively.

Share Consolidation

The consolidation of every ten shares of HK$0.00125 each in the issued and unissued share capital of the Company (the "Consolidated Shares") into one consolidated share of HK$0.0125 in the issued and unissued share capital of the Company (the "Share Consolidation") was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting held on 20 August 2009 and had come into effect on 21 August 2009.

The authorised ordinary share capital of the Company remained at HK$120,000,000 divided into 9,600,000,000 Consolidated Shares of HK$0.0125 each following the Share Consolidation.

As the price of the Shares was approaching the limit of HK$0.01, the Company was required to consolidate the Shares pursuant to Rule 17.76 of the GEM Listing Rules.

The Share Consolidation increase the par value of the shares of the Company (the "Shares") and reduce the total number of Shares currently in issue. Other than the expenses incurred by the Company in relation to the Share Consolidation, the implementation thereof has not affected the underlying assets, business operations, management or financial position of the Group or the interests of shareholders of the Company as a whole. Details of the Share Consolidation are set out in the announcement and circular of the Company dated 7 July 2009 and 23 July 2009 respectively.

BUSINESS OUTLOOK AND PROSPECTS

The production of the PE Pipes and FRP Pipes was performing well in the year 2009. The Board of directors believe that this business segment will continue to grow and perform well even during the current unfavourable economic climate. The Group is now building an effective sales team to explore new markets and find more customers for its products.

In the year 2010, as mentioned above, the Company will concentrate to find a solution to settle the 4.5% convertible bonds due for redemption on 31 October 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the net assets of the Group were approximately HK$408,183,000 (2008: approximately HK$1,183,104,000) while its total assets were approximately HK$886,049,000 (2008: approximately HK$1,678,232,000) including cash and bank balances of approximately HK$76,071,000 (2008: approximately HK$99,361,000).

FUNDING ACTIVITY DURING THE YEAR

Other than the Rights Issue mentioned above, the Company did not carry out any fund raising activities during the year under review.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had not made any significant investments for the year ended 31 December 2009.

EMPLOYEE INFORMATION

As at 31 December 2009, the Group had 5 full-time employees working in Hong Kong and 80 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$8,280,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

Mr. Yu Hongzhi, the director of the Company's subsidiary of Yichang Fulianjiang Joint Composite Limited (宜昌富連江複合材料有限公司), is the director and legal representative of 宜昌弘訊管業有限公司 (Yichang HongXun Conduit and Calling Company Limited)#, which is a company incorporated in the PRC and principally engaged in selling and producing PE pipes in the PRC. Mr. Yu Hongzhi was not a substantial shareholder of 宜昌弘訊管業有限公司 (Yichang HongXun Conduit and Calling Company Limited)# during the year ended 31 December 2009. Save as disclosed above, as at 31 December 2009, none of the Directors, chief executive, substantial shareholders and any of their respective associates has engaged in any business that competes or may compete directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group during the year ended 31 December 2009.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Chung Chin Keung who are the independent non-executive directors of the Company. During the year, the audit committee of the Company (the "Audit Committee") held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2009, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2009 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Company's auditors, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Subject to the deviations as disclosed hereof, the Company had complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 15 to the GEM Listing Rules throughout the year under review:

Code Provision A.2.1

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

For the year 2009, we still did not have an officer with the title of "Chief Executive Officer" ("CEO"). The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the CEO. Ms. Ma Zheng, the Chairman, is also the director of the Company's production plant in Yichang City. This constitutes a deviation of Code Provision A.2.1. The Board holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

Code Provision A.4.1

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

As at the approval date of this financial statements, the Company has three independent non-executive Directors, they are Mr. Wan Tze Fan Terence ("Mr. Wan"), Mr. Liu Weichang ("Mr. Liu") and Mr. Chung Chin Keung ("Mr. Chung").

Except for Mr. Chung who is appointed for a specific term of two years, Mr. Wan and Mr. Liu are not appointed for any specific terms. However, they are all subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan and Mr. Liu.

Code Provision B.1.4 and C.3.4

Code Provision B.1.4 and C.3.4 stipulate that the remuneration committee and audit committee should make available their terms of reference, explaining their roles and the authorities delegated to them by the Board on the web site of the Company.

The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website since the Company's website is not yet ready. However, once it is ready for use, the Company will put the terms of reference on its website. In addition, the terms of reference will be available from the Company on request.

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

Hong Kong, 29 March 2010

The English translations of Chinese names or words in this announcement 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 announcement, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. CHUNG Chin Keung who are the independent non-executive directors.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's designated website at http://china-p-res.etnet.com.hk.