



中國基礎資源控股有限公司

CHINA PRIMARY RESOURCES HOLDINGS LIMITED

(formerly known as China Advance Holdings Limited 中國宏達控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8117)



Third Quarterly Report

2006

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This report, for which the directors of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the “Directors”) 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 CHINA PRIMARY RESOURCES HOLDINGS LIMITED. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover for the nine months ended 30 September 2006 was approximately HK\$25,066,000, representing an increase of approximately 104% from the corresponding period.

Loss attributable to shareholders for the same period amounted to approximately HK\$3,131,000 while it was profit of approximately HK\$24,645,000 in the corresponding period.

During the three months period under review, a non-recurring expense, representing the cost of share options granted on 3 April 2006, of approximately HK\$1,500,000 was incurred.

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006.

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 (the “Group”) for the nine months ended 30 September 2006 together with the comparative figures as follows. The consolidated third quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Turnover	2	2,497,592	269,682	25,066,442	12,283,856
Other revenue	2	552,397	27,993,570	625,242	28,011,149
Cost of trading					
merchandise sold		(–)	(124,810)	(12,373,680)	(11,858,101)
Raw materials and consumables used		(2,466,462)	–	(8,714,852)	–
Staff costs, including directors’ remuneration		(476,400)	(464,728)	(1,623,268)	(1,284,820)
Depreciation and amortisation		(421,909)	(224,653)	(1,092,189)	(558,845)
Royalties for game contents		(14,529)	(28,298)	(50,360)	(159,874)
Other operating expenses		(2,811,184)	(536,164)	(4,628,644)	(1,666,689)
(Loss)/Profit from operations		(3,140,495)	26,884,599	(2,791,309)	24,766,676
Finance costs	3	(96,675)	(7,809)	(204,539)	(115,945)
(Loss)/Profit before taxation		(3,237,170)	26,876,790	(2,995,848)	24,650,731
Taxation	4	(135,157)	–	(135,157)	(5,877)
(Loss)/Profit attributable to shareholders		(3,372,327)	26,876,790	(3,131,005)	24,644,854
Dividends	5	–	–	–	–
(Loss)/Earnings per share	6		(Restated)		(Restated)
Basic		(HK0.050 cents)	HK0.57 cents	(HK0.055 cents)	HK0.69 cents
Diluted		N/A	N/A	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

Basis of presentation

The Company was incorporated in the Cayman Islands, as an exempted company which with limited liability under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001.

Principal accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard and Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements are prepared under the historical cost convention.

The consolidated financial statements incorporated the financial statements of the Company and its principal subsidiaries for the period ended 30 September 2006. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The accounting policies adopted in the condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

2. Turnover and other revenue

Turnover represents the value of services provided and net invoiced value of goods sold.

An analysis of the Group's turnover and other revenue are as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover:				
Game-on-demand services				
income	81	75	213	147
MMOG services income	18,914	37,000	65,865	197,088
Provision of services	18,995	37,075	66,078	197,235
Sales of Composite				
Materials	–	232,607	14,920,060	12,086,621
Manufacturing and sales of Pipes	2,478,597	–	10,080,304	–
Sales of goods	2,478,597	232,607	25,000,364	12,086,621
	<u>2,497,592</u>	<u>269,682</u>	<u>25,066,442</u>	<u>12,283,856</u>
Other revenue:				
Interest income	552,368	2,296	620,142	19,476
Government subsidy	–	27,991,274	–	27,991,274
Others	29	–	5,100	399
	<u>552,397</u>	<u>27,993,570</u>	<u>625,242</u>	<u>28,011,149</u>
Total revenue	<u>3,049,989</u>	<u>28,263,252</u>	<u>25,691,684</u>	<u>40,295,005</u>

3. Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest charges on loans from ultimate holding company	–	7,809	39,118	115,945
Convertible bond wholly repayable within three years	96,675	–	165,421	–
	96,675	7,809	204,539	115,945

4. Taxation

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided as the Group did not generate any assessable profits in those jurisdictions during the three months and nine months ended 30 September 2006 (three months and nine months ended 30 September 2005: Nil). No Provision for The People's Republic of China (the "PRC") income tax has been made as the subsidiary was exempted from PRC income tax during the period under review.

PRC income tax of HK\$135,157 under-provided previously has been provided during the three months and nine months ended 30 September 2006 (nine months ended 30 September 2005: HK\$5,877 representing the previous under-provided PRC income tax).

5. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (nine months ended 30 September 2005: Nil).

6. (Loss)/earnings per share

The calculations of the basic and diluted (loss)/earnings per share are based on the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>
(Loss)/Profit for the year for the purposes of calculating basic (loss)/earnings per share	<u>(3,372,327)</u>	<u>26,876,790</u>	<u>(3,131,005)</u>	<u>24,644,854</u>
Weighted average number of shares for the purposes of calculating basic (loss)/earnings per share	<u>6,812,467,200</u>	<u>4,730,880,000</u>	<u>5,652,379,176</u>	<u>3,575,370,780</u>

Notes:

1. The weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share for the three months and nine months ended 30 September of both years of 2005 and 2006 have been adjusted for the Company's share subdivision with effective on 1 August 2006, and upon effective, the authorized share capital of the Company become HK\$125,000,000 comprising 100,000,000,000 subdivided shares ("Subdivided Shares") of which 6,812,467,200 Subdivided Shares were in issue.
2. The computation of diluted loss per share does not assume the conversion of share options, warrant and convertible bond since their exercise will result in a decrease effect in the loss per share for the three months and nine months ended 30 September 2006 (three months and nine months ended 30 September 2005: no dilutive potential shares).

7. Related party transactions

The following transactions were carried out with related parties:

Sales of goods

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods to a related company	<u>2,478,597</u>	<u>–</u>	<u>10,080,304</u>	<u>–</u>

Sales of goods to a related company were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group. Mr. Yu Hongzhi is the director and legal representative of 宜昌弘訊管業有限公司. Mr. Yu Hongzhi was not the controlling shareholder of 宜昌弘訊管業有限公司.

8. Capital and Reserves

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Accumulated losses	Warrants reserve	Convertible bond equity reserve	Share option reserve	Exchange translation reserve	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at										
1 January 2005	2,956,800	45,080,182	34,272	17,136	(43,872,521)	-	-	-	-	4,215,869
Profit for the nine months ended										
30 September 2005	-	-	-	-	24,644,854	-	-	-	-	24,644,854
Exchange differences on translation of overseas operations	-	-	-	-	-	-	-	-	861,791	861,791
Issuance of share capital	2,956,800	26,611,200	-	-	-	-	-	-	-	29,568,000
Share issue expenses	-	(2,194,683)	-	-	-	-	-	-	-	(2,194,683)
Transfer from capital reserves	-	-	(587)	(294)	881	-	-	-	-	-
	<u>5,913,600</u>	<u>69,496,699</u>	<u>33,685</u>	<u>16,842</u>	<u>(19,226,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>861,791</u>	<u>57,095,831</u>
Balance at										
30 September 2005	<u>5,913,600</u>	<u>69,496,699</u>	<u>33,685</u>	<u>16,842</u>	<u>(19,226,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>861,791</u>	<u>57,095,831</u>
Balance at										
1 January 2006	5,913,600	69,496,699	2,851,081	1,425,540	(24,715,583)	473,088	-	-	887,536	56,331,961
Loss for the nine months ended										
30 September 2006	-	-	-	-	(3,131,005)	-	-	-	-	(3,131,005)
Issuance of share capital	2,601,984	97,456,128	-	-	-	-	-	-	-	100,058,112
Share issue expenses	-	(123,780)	-	-	-	-	-	-	-	(123,780)
Transfer from capital reserves	-	-	(19,713)	(9,856)	29,569	-	-	-	-	-
Issuance of Warrant	-	-	-	-	-	7,785,000	-	-	-	7,785,000
Issuance of Convertible bond	-	-	-	-	-	-	1,063,166	-	-	1,063,166
Issuance of Share option	-	-	-	-	-	-	-	1,531,470	-	1,531,470
Exchange differences on translation of overseas operations	-	-	-	-	-	-	-	-	1,552,935	1,552,935
	<u>8,515,584</u>	<u>166,829,047</u>	<u>2,831,368</u>	<u>1,415,684</u>	<u>(27,817,019)</u>	<u>8,258,088</u>	<u>1,063,166</u>	<u>1,531,470</u>	<u>2,440,471</u>	<u>165,067,859</u>
Balance at										
30 September 2006	<u>8,515,584</u>	<u>166,829,047</u>	<u>2,831,368</u>	<u>1,415,684</u>	<u>(27,817,019)</u>	<u>8,258,088</u>	<u>1,063,166</u>	<u>1,531,470</u>	<u>2,440,471</u>	<u>165,067,859</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The unaudited loss attributable to shareholders for the nine months under review was approximately HK\$3,131,000 while it was a profit of approximately HK\$24,645,000 over the corresponding period. However, the Group recorded a turnover of approximately HK\$25,066,000 for the nine months ended 30 September 2006, representing an increase of approximately 104% over the corresponding period. The turnover was mainly derived from the trading of raw materials and production of polyethylene pipes (“PE pipes”) in China. The loss was mainly attributable to a non-recurring expense of approximately HK\$1,500,000, which is the cost of share options granted on 3 April 2006. In addition, there was no sales of fibre glass reinforced plastic pipes (“FRP pipes”) during the three-month periods under review.

Business review and future outlook

During the period under review, the Group continued to engage in general trading of FRP pipes, raw materials and composite materials and production of FRP pipes and PE pipes in the PRC.

As it was stated in the 2006 interim report that the production of FRP pipes was still in the preliminary stage, so that, during this three-month periods, the management in Yichang plant have put a lot of efforts in improving the quality control systems of the production of FRP pipes. On the other hand, during the three-month periods under review, the management in Yichang plant noted that the sales orders of FRP pipes was hard to obtain, and they noted the main reasons for that were due to (i) fierce competition from the other competitors in China and overseas, and (ii) the resignation of Mr. Lang Fulai (“Mr. Lang”), our ex-director who resigned on 6 March 2006. As it was stated in the circular dated 14 April 2005 that, it was because of his business connection in the FRP pipes industry, the establishment of the FRP pipes project was, by that time, led by Mr. Lang, but, after his resignation, this benefit of business connection was then fade-out. However, the management had then taken steps in improving the production of FRP pipes and seeking more sales channels in China, and they are also enhancing the development of the production line of PE pipes so as to increase the variety of the products and markets, and, during the period under review, the sales of PE pipes approximately of HK\$2,479,000.

In addition, during the period under review, we were accomplishing in seeking other mining business opportunity for the shareholders.

- A. As stated in the announcement dated 21 April 2006, a joint venture company (the “JV Company 1”) will be established, named 宜昌新首鋼貴金屬礦業有限公司 (Yichang Xin Shougang Precious Metal Mining Limited), in Yichang City, the PRC. And the JV Company 1 was then, during the three-month period under review, established with registered capital of RMB5,200,000 be paid by two of our wholly-owned subsidiaries, i.e. the JV Company 1 was 52% held by the Company. The JV Company 1 will be engaged principally in projects relating to mine prospecting and mining of metal and minerals, processing, sale, export and import of mining by-products.
- B. On 5 September 2006, the Company entered into a legally binding Heads of Agreement with ASIA Resources Investment and Advisory Limited, a company incorporated in Samoa with limited liability, and Kondor Holdings Pty. Ltd., a company incorporated in Australia with limited liability, in relation to the possible investment in a joint venture company (the “JV Company 2”). The JV Company 2 will be formed to conduct exploration and development at some 279 sub-blocks in Central Queensland, Australia, some 60 kilometers south of the town of Blackwater in Queensland, Australia. The area of exploration permit for coal (“EPC”) application has targeted potential underground coking coal potential areas. The details of this were stated in the announcement dated 5 September 2006. As at the date of this report, the JV Company 2 was not yet established.

As at 30 September 2006, the Group continued in a position to develop the abovementioned new production line and mining business while keeping abreast of its core business.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company, as at 30 September 2006, the Group have cash approximately of HK\$89,737,000, the Directors anticipate that the Group have adequate financial resources to meet its ongoing operations.

Other information

Change of name of the Company

The Directors are pleased to announce that the change of the Company's name from "China Advance Holdings Limited 中國宏達控股有限公司" to "China Primary Resources Holdings Limited 中國基礎資源控股有限公司" has become effective on 29 September 2006.

Warrant Placing

On 17 August 2006, another warrant placing agreement was entered into between the Company and Northern Power Group Limited (the "Subscriber") in relation to a private placing of 315,000,000 non-listed warrants (hereinafter referred as "Warrant(s)") at an issue price of HK\$0.012 per Warrant, the Warrants entitled the Subscriber to subscribe for New Shares of the Company at an initial exercise price of HK\$0.28 per New Share for a period of three years commencing from the date of issue of Warrants (i.e. 18 September 2006). The net proceeds from the Warrant placing was approximately of HK\$3,600,000 which will be applied as general working capital of the Group. The Warrant placing was completed on 18 September 2006. Details of this were stated in the announcements dated 18 August 2006 and 18 September 2006 respectively.

DIRECTOR'S AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2006, 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:

- (i) *Long position in the ordinary shares of HK\$0.00125 each in the Company as at 30 September 2006:*

Name of director	Number of ordinary shares held				Total	Approximate percentage of interests
	Personal interests	Family interests	Corporate interests (Note)	Other interests		
Mr. Yu Hongzhi	-	-	2,576,194,460	-	2,576,194,460	37.82%

Note:

These shares are held by Future Advance Holdings Limited (“Future Advance”). Future Advance is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi), as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, as to 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by Mr. Zhang Lei), as to 13% by 吳用晉 (Wu Yong Jin)* and as to the remaining 10% by Ms. Ma Yi (as at 30 September 2006, Ms. Ma Yi personally held 20,000,000 shares of the Company, representing 0.29% of the issued share capital of the Company).

- (ii) *Long position in the underlying shares or derivatives of the Company as at 30 September 2006:*

Name of directors	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Mr. Yu Hongzhi	Interest in controlled corporations	Convertible bond (Note 1)	313,503,280	4.6%
	Beneficial	Share option (Notes 2 & 3)	76,000,000	1.1%
Ms. Ma Zheng	Beneficial	Share option (Notes 2 & 3)	54,000,000	0.8%
Mr. Chiu Winerthan	Beneficial	Share option (Notes 2 & 3)	20,000,000	0.3%

Notes:

1. On 27 April 2006, by an instrument dated the same date, the Company created and issued in favour of Future Advance a convertible bond in the principal amount of HK\$6,270,065.6 pursuant to a subscription agreement dated 24 February 2006 entered into between the Company and Future Advance. Details of which have been set out in the announcement dated 28 February 2006. These shares represent the maximum number of new shares, which may be converted from the said convertible bond held by Future Advance as at 30 September 2006. Mr. Yu Hongzhi is therefore deemed to be interested in these underlying shares under the SFO as well.
2. On 3 April 2006, a total of 7,500,000 share options were conditionally granted as to 3,800,000 share options to Mr. Yu Hongzhi, as to 2,700,000 share options to Ms. Ma Zheng and as to 1,000,000 share options to Mr. Chiu Winerthan pursuant to a share option scheme adopted on 28 November 2001 by a written resolution of the then shareholders of the Company which confers discretionary power to the Directors to grant options to any Eligible Persons (including the full-time employees and any director of the Company) as defined in share option scheme. Details of the share options granted are set out under the heading “Share Option” below. As a result of the share subdivision becoming effective on 1 August 2006, each options granted has been conferred the right to the relevant optionholders to subscribe for 20 subdivided shares.
3. All the options offered on 3 April 2006 (“Offer”) were conditional upon the Offer having been accepted by all grantees (“Grantees”) and not subject to any conditions under the Post Scheme. All the options granted then became unconditional when the listing approval dated 26 September 2006 in respect of the shares which may fall to be allotted and issued upon the exercise of the share options granted to Mr. Yu Hongzhi was obtained from the Listing Committee of the Stock Exchange. In according with HKFRS 2 Share Based Payment, the financial impact of the options cost will be reflected in the account of the Company on the date when all of the conditions are satisfied.

Save as disclosed above, as at 30 September 2006, none of the directors and chief executive of the Company had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share Option

On 17 March 2004, the Company forfeited all the outstanding share options granted from a Pre-IPO share option scheme (the “Pre-Scheme”) adopted by the Company on 28 November 2001, and that all outstanding share options granted from the Pre-Scheme were cancelled and extinguished. For further details of these, please refer to the announcement dated 17 March 2004. As at 30 September 2006, there were no share options outstanding under the Pre-Scheme.

On the same date as the adoption of the aforesaid Pre-Scheme, a further share option scheme (the “Post-Scheme”) was also approved by the Company. The Post-Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Post-Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes (including the Pre-Scheme) of the Company must not exceed 30% of the shares in issue from time to time.

The Post-Scheme was amended and adopted by the shareholders at the annual general meeting of the Company held on 16 April 2003. The amendment involved the extension of the definition of eligible person in the Post-Scheme to include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company’s shares on the Commencement Date (as defined in the Post-Scheme), which must be a trading day, and (ii) the average of the quoted closing price of the Company’s shares for the five trading days immediately preceding the Commencement Date (as defined in the Post-Scheme). Any options granted under the Post-Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Post-Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

Details of the share options conditionally granted by the Company pursuant to the Post-Scheme and the options outstanding as at 30 September 2006 were as follows:

Grantees	Date of Grant	Exercise price (Note 3)	Exercisable Period	Options held as at 1 January 2006	Lapsed during the period	Options held as at 30 September 2006
<i>Executive Directors</i>						
Mr. Yu Hongzhi	3 April 2006	HK\$0.053	3 April 2006 to 27 November 2011	-	-	3,800,000 (Notes 1 & 2)
Ms. Ma Zheng	3 April 2006	HK\$0.053	3 April 2006 to 27 November 2011	-	-	2,700,000 (Notes 1 & 2)
Mr. Chiu Winerthan	3 April 2006	HK\$0.053	3 April 2006 to 27 November 2011	-	-	1,000,000 (Notes 1 & 2)
Continuous contracts employees	3 April 2006	HK\$0.053	3 April 2006 to 27 November 2011	-	-	1,300,000 (Notes 1 & 2)

Notes:

- On 3 April 2006, a total of 8,800,000 share options were conditionally granted as to 3,800,000 share options to Mr. Yu Hongzhi, as to 2,700,000 share options to Ms. Ma Zheng and as to 1,000,000 share options to Mr. Chiu Winerthan, who are executive directors and as to 1,300,000 share options to two full-time employees. As a result of the share subdivision becoming effective on 1 August 2006, each options granted has been conferred the right to the relevant optionholders to subscribe for 20 subdivided shares.
- All the options offered on 3 April 2006 (“Offer”) were conditional upon the Offer having been accepted by all grantees (“Grantees”) and not subject to any conditions under the Post Scheme. All the options granted then became unconditional when the listing approval dated 26 September 2006 in respect of the shares which may fall to be allotted and issued upon the exercise of the share options granted to Mr. Yu Hongzhi was obtained from the Listing Committee of the Stock Exchange. In according with HKFRS 2 Share Based Payment, the financial impact of the options cost will be reflected in the account of the Company on the date when all of the conditions are satisfied.

3. After the share subdivision being effective on 1 August 2006, the exercise price per share was adjusted from HK\$1.064 to HK\$0.053.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2006, 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:

- (i) *Long position in the ordinary shares of HK\$0.00125 each in the Company as at 30 September 2006:*

Name of shareholders	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Future Advance Holdings Limited	Beneficial	2,576,194,460	37.82%
China Zong Heng Holdings Limited	Corporate (Note)	2,576,194,460	37.82%

Note: These shares are held by Future Advance. Future Advance is the only substantial shareholder which is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi), as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, as to 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by Mr. Zhang Lei), as to 13% by 吳用晉 (Wu Yong Jin)[#] and as to the remaining 10% by Ms. Ma Yi (as at 30 September 2006, Ms. Ma Yi personally held 20,000,000 shares of the Company, representing 0.29% of the issued share capital of the Company).

(ii) Long position in the underlying shares or derivatives of the Company as at 30 September 2006:

Name of shareholders	Type of interests	Description of derivatives	Number of underlying Shares	Approximate percentage of interests
Future Advance Holdings Limited	Beneficial	Convertible bond (Note 1)	313,503,280	4.6%
China Zong Heng Holdings Limited	Corporate	Convertible bond (Note 1)	313,503,280	4.6%
胡玉 (Ms. Hu Yu) [#]	Beneficial	Warrants (Note 2)	473,088,000	6.9%

Notes:

1. These shares are held by Future Advance. Future Advance is the only substantial shareholder which is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi), as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, as to 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by Mr. Zhang Lei), as to 13% by 吳用晉 (Wu Yong Jin)[#] and as to the remaining 10% by Ms. Ma Yi (as at 30 September 2006, Ms. Ma Yi personally held 20,000,000 shares of the Company, representing 0.29% of the issued share capital of the Company).
2. On 18 August 2005, 胡玉 (Ms. Hu Yu)[#], a private investor of the Company, entered into a warrant placing agreement with the Company pursuant to which 胡玉 (Ms. Hu Yu)[#] is entitled to subscribe for 23,654,400 shares at an initial exercise price of HK\$0.32 per shares within a period of two years commencing from the date of issue of the warrants which was 4 October 2005. It was because of the share subdivision being effective on 1 August 2006, on the close of the business on 31 July 2006, each warrant has been conferred the right to 胡玉 (Ms. Hu Yu)[#] to subscribe for 20 subdivided share and the exercise price was adjusted to HK\$0.015 per subdivided share. Details of which have been announced in the announcement of the Company dated 18 August 2005. As at 30 September 2006, 胡玉 (Ms. Hu Yu)[#] does not yet exercise its right to subscribe for the shares under the warrants.

Save as disclosed above, as at 30 September 2006, the directors are not aware of any other person (other than director 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 under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" and "Share Option" above, and other than in connection with the Group Reorganisation in preparation for the Company's placing, at no time since its incorporation was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Competition and conflict of interests

Mr. Yu Hongzhi, the executive director of the Company, 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 engaged in selling and producing PE pipes in China. Mr. Yu Hongzhi was not the controlling shareholder of 宜昌弘訊管業有限公司. Save as disclosed, as at 30 September 2006, none of the Directors, management shareholders, substantial shareholders and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

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 controls system of the Group. The audit committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Gao Sheng Yu who are the independent non-executive Directors of the Company. The Group's unaudited results for the three months and nine months ended 30 September 2006 have been reviewed by the audit committee.

Purchase, redemption or sales of listed securities

The Company's shares were listed on the GEM on 13 December 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities between that date and 30 September 2006.

By Order of the Board
China Primary Resources Holdings Limited
Yu Hongzhi
Chairman

Hong Kong, 13 November 2006

The English translation of Chinese name is for identification purpose only and should not be regarded as the official English translation of such Chinese name.

As at the date of this report, the Board comprises Mr. YU Hongzhi, Ms. MA Zheng and Mr. CHIU Winerthan who are the executive directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. GAO Sheng Yu who are the independent non-executive directors.