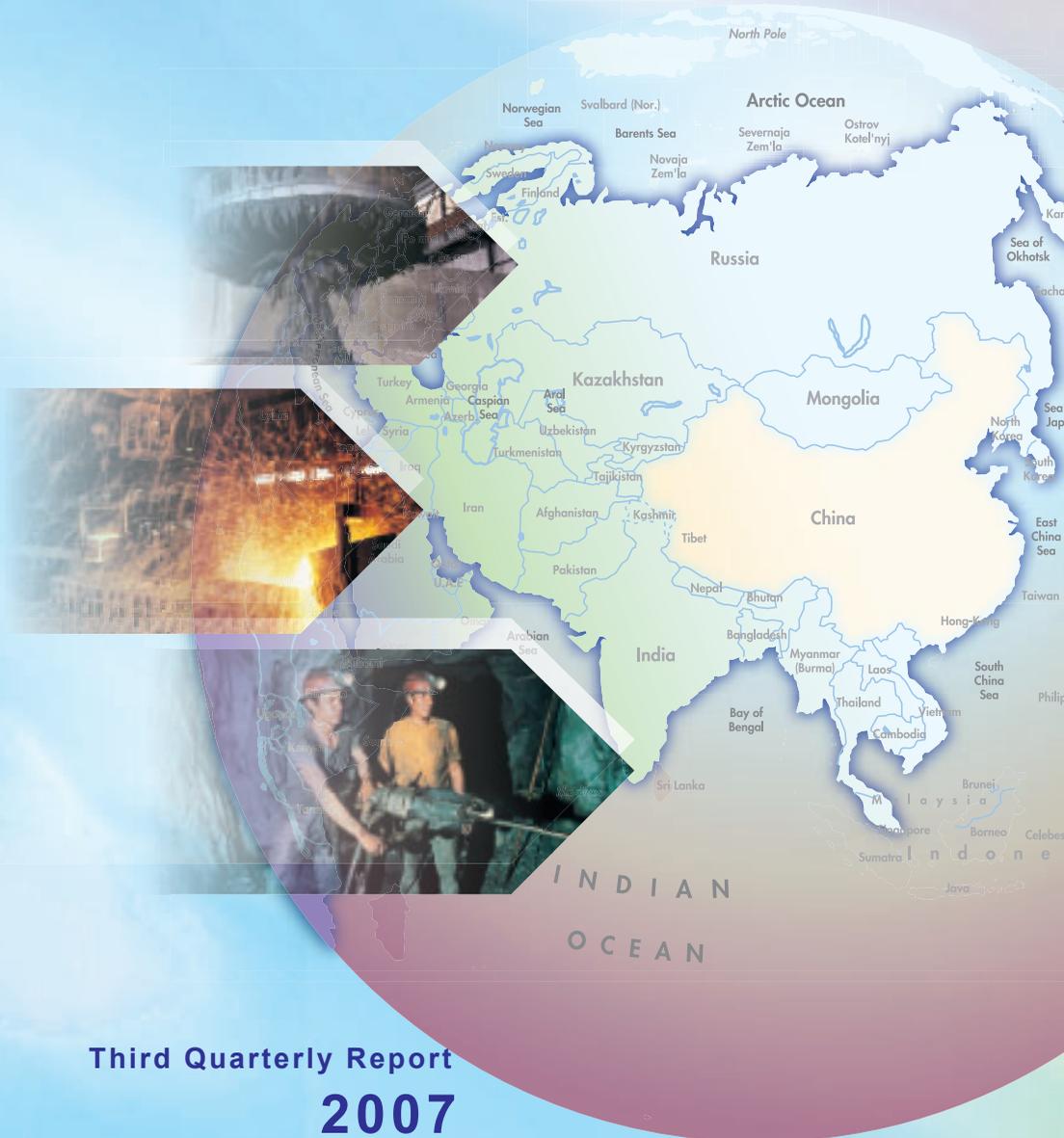




中國基礎資源控股有限公司 CHINA PRIMARY RESOURCES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)



Third Quarterly Report
2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Revenue from the continuing operations for the nine months ended 30 September 2007 was approximately HK\$25,321,000, representing an increase of approximately 1.28% from the corresponding period.

Loss attributable to shareholders for the same period amounted to approximately HK\$15,123,000.

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2007.

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 2007 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		Nine months ended	
		30 September		30 September	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:					
Revenue	2	2,168	2,479	25,321	25,000
Other revenue	3	313	552	816	625
Cost of trading merchandise sold		(898)	–	(20,327)	(12,374)
Raw materials and consumables used		(1,528)	(2,466)	(4,539)	(8,715)
Staff costs, including directors' remuneration		(4,011)	(476)	(5,290)	(1,623)
Depreciation		(403)	(272)	(1,110)	(641)
Amortisation on land use rights		(159)	(150)	(475)	(451)
Other operating expenses		(5,086)	(2,811)	(9,509)	(4,629)
Operating loss		(9,604)	(3,144)	(15,113)	(2,808)
Finance costs	4	(104)	(97)	(302)	(204)
Loss before income tax		(9,708)	(3,241)	(15,415)	(3,012)
Income tax expense	5	–	(135)	–	(135)
Loss after tax from continuing operations		(9,708)	(3,376)	(15,415)	(3,147)
Discontinued operations:					
Profit for the period from discontinued operations	6	–	4	–	16
Loss for the period		(9,708)	(3,372)	(15,415)	(3,131)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
(Continued)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Attributable to:					
Equity holders of the Company		(9,540)	(3,372)	(15,123)	(3,131)
Minority interests		(168)	–	(292)	–
Loss for the period		(9,708)	(3,372)	(15,415)	(3,131)
Dividends	7	–	–	–	–
Loss per share for loss from continuing and discontinued operations attributable to the equity holders of the Company during the period	8				
Basic		(HK0.14 cents)	(HK0.05 cents)	(HK0.22 cents)	(HK0.055 cents)
Diluted		N/A	N/A	N/A	N/A
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the period	8				
Basic		(HK0.14 cents)	(HK0.05 cents)	(HK0.22 cents)	(HK0.056 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 2007. 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 2006.

2. Revenue

Revenue, which is also the Group's turnover, represents the total invoiced value of goods supplied and income from provision of services. Revenue recognised during the period is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations:				
Sales of composite materials	956	–	21,495	14,920
Manufacturing and sales of PE/FRP Pipes	1,212	2,479	3,826	10,080
Sales of goods	2,168	2,479	25,321	25,000
Discontinued operations:				
Game-On-Demand service income	–	–	–	–
MMOG service income	–	19	–	66
Provision of services	–	19	–	66
Total Revenue	2,168	2,498	25,321	25,066

3. Other revenue – continuing operations

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	313	552	794	620
Sundry income	–	–	22	5
	<u>313</u>	<u>552</u>	<u>816</u>	<u>625</u>

4. Finance costs – continuing operations

	Three months		Nine months	
	ended 30 September		ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest charges on				
– loans from a shareholder	–	–	–	39
– convertible bonds	104	97	302	165
	<u>104</u>	<u>97</u>	<u>302</u>	<u>204</u>

5. Income tax expense – continuing operations

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the three months and nine months ended 30 September 2007 (three months and nine months ended 30 September 2006: Nil).

No profits tax has been provided as the subsidiaries in the People's Republic of China ("the PRC") were either entitled to an exemption from the PRC state and local corporate income tax or did not generate any assessable profits in the PRC during the three months and nine months ended 30 September 2007 (three months and nine months ended 30 September 2006: Nil).

PRC income tax approximately of HK\$135,000 under-provided previously has been provided during the three months and nine months ended 30 September 2006.

6. Discontinued operations

As stated in the annual report 2006 of the Company, the Group's management and shareholders agreed to abandon and discontinue the business line of Game-On-Demand services and MMOG services during the year ended 31 December 2006.

An analysis of the result of discontinued operations is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	-	19	-	66
Expenses	-	(15)	-	(50)
Profit before income tax of discontinued operations	-	4	-	16
Income tax expense	-	-	-	-
Profit for the period from discontinued operations	-	4	-	16
Operating cash flows	-	4	-	16
Investing cash flows	-	-	-	-
Financing cash flows	-	-	-	-
Total cash flows	-	4	-	16

7. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

8. Loss per share

The calculations of the basic loss per share is based on the following data:

Three months ended 30 September 2007 HK\$'000 (Unaudited)		Nine months ended 30 September 2006 HK\$'000 (Unaudited)	

Loss

For continuing and discontinued operations based on the loss for the period attributable to the equity holders of the Company

<u>(9,540)</u>	<u>(3,372)</u>	<u>(15,123)</u>	<u>(3,131)</u>
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For continuing operations based on the loss for the period from continuing operations less results attributable to minority interests

<u>(9,540)</u>	<u>(3,376)</u>	<u>(15,123)</u>	<u>(3,147)</u>
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Three months ended 30 September 2007 '000		Nine months ended 30 September 2006 '000	

Number of shares

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

<u>6,871,137</u>	<u>6,812,467</u>	<u>6,835,062</u>	<u>5,652,379</u>
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Diluted loss per share for the three months and nine months ended 30 September 2007 and 30 September 2006 has not been disclosed as the warrants, convertible bonds and share options (for the year of 2006 only) outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

9. Capital and Reserves

	Equity attributable to equity holders of the Company										
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Statutory public welfare reserve	Accumulated losses	Warrants reserve	Exchange translation reserve	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 2006	5,914	69,497	-	-	2,851	1,425	(24,716)	473	888	-	56,332
Currency translation (Net income recognised directly in equity)	-	-	-	-	-	-	-	-	1,553	-	1,553
Loss for the nine months ended 30 September 2006	-	-	-	-	-	-	(3,131)	-	-	-	(3,131)
Total recognised income and expense for the nine months ended 30 September 2006	-	-	-	-	-	-	(3,131)	-	1,553	-	(1,578)
Issuance of new shares	2,602	97,456	-	-	-	-	-	-	-	-	100,058
Share issue expenses	-	(124)	-	-	-	-	-	-	-	-	(124)
Issuance of convertible bonds	-	-	1,063	-	-	-	-	-	-	-	1,063
Employee share-based compensation	-	-	-	1,531	-	-	-	-	-	-	1,531
Issuance of warrants	-	-	-	-	-	-	-	7,785	-	-	7,785
Transfer from capital reserves	-	-	-	-	(20)	(10)	30	-	-	-	-
Balance at 30 September 2006	8,516	166,829	1,063	1,531	2,831	1,415	(27,817)	8,258	2,441	-	165,067
Balance at 1 January 2007	8,519	167,601	1,063	1,531	5,110	-	(31,007)	8,224	1,920	4,651	167,612
Currency translation (Net income recognised directly in equity)	-	-	-	-	8	-	-	-	6,774	240	7,022
Loss for the nine months ended 30 September 2007	-	-	-	-	-	-	(15,123)	-	-	(292)	(15,415)
Total recognised income and expense for the nine months ended 30 September 2007	-	-	-	-	8	-	(15,123)	-	6,774	(52)	(8,393)
Exercise of warrants	14	3,033	-	-	-	-	-	(132)	-	-	2,915
Exercise of share options	220	10,639	-	(1,531)	-	-	-	-	-	-	9,328
Balance at 30 September 2007	8,753	181,273	1,063	-	5,118	-	(46,130)	8,092	8,694	4,599	171,462

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

During the period under review, the Group continued to engage in the general trading of fibre glass reinforced plastic pipes (“FRP Pipes”), raw materials and composite materials and production of FRP Pipes and polyethylene pipes (“PE Pipes”) in the PRC.

Pipes businesses:

The business of PE Pipes is developing steadily and running smoothly.

On the other hand, as it was stated in the Company’s interim report dated 3 August 2007, the business of FRP Pipes still had no improvement during the period under review and the management of Yichang still have no feasible plans for its improvement, the management will then seriously review the FRP Pipes business.

Mining Businesses:

In respect of the acquisition of equity interest in 新首鋼資源控股有限公司 (Xin Shougang Zi Yuan Holdings Limited)# (“Xin Shougang”) (the “Acquisition”), as it was stated in the Company’s announcement dated 31 October 2007, the completion of which was made on 26 October 2007. In addition, the completion of the issue of the convertible bonds to Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) (“Convertible Bonds”) was made on 31 October 2007. The issuance of the Convertible Bonds would not only strengthen our financial position, but also, with a reputable international investor providing the funds for this project, enhance the importance of the investment. With the success on completing the Acquisition, we will strengthen our relationship with Shougang Group, this will also provide us with supports on, by means of technical aspect and higher reputation in the mining industry, exploring more valuable mining investment opportunities.

As at 30 September 2007, the Group continued in a position to develop mining business while keeping abreast of its core business.

Financial review

Total revenue and revenue from continuing operations was approximately HK\$25,321,000 for the period under review, which represented an increase of approximately 1.28% while compared with that of the corresponding period. The revenue is mainly attributable from sale of PE Pipes and raw materials. The unaudited loss before income tax from continuing operations for the period under review and in the corresponding period was approximately HK\$15,415,000 and HK\$3,012,000, respectively. The loss attributable to shareholders for the nine months ended 30 September 2007 was approximately of HK\$15,123,000. The Board will still adopt the stringent cost control and maintain thin and effective overhead structure and prudently utilize the corporate resources to create wealth for the shareholders.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company, as at 30 September 2007, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations. And the funds obtained from Lehman Brothers will provide the Group with extra funds for the mining business in Yichang.

Other information

A. Issue of ordinary shares

The Company issued 11,000,000 and 176,000,000 ordinary shares of HK\$0.00125 each of the Company upon the exercising of the warrants and share options by Mr. Ha Siu Wa, the warrant holder, and the option holders respectively during the nine months ended 30 September 2007.

B. Completion of a very substantial acquisition in relation to the acquisition of a 22.28% interest in a mining company in Yichang and issue of Convertible Bonds to Lehman Brothers

Since all the conditions of (i) the acquisition agreement for acquiring the 22.28% equity interest in Xin Shougang and (ii) the subscription agreement for issuance of Convertible Bonds to Lehman Brothers are being fulfilled, the acquisition and the subscription are then completed on 26 October 2007 and 31 October 2007 respectively. Details of which are stated in the circular dated 5 September 2007 and announcement dated 31 October 2007.

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

As at 30 September 2007, 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 7,002,267,200 ordinary shares in issue as at 30 September 2007, not on the total number of issued shares upon full conversion of the (i) convertible bond issued in favour of Future Advance Holdings Limited ("Future Advance") (details of which have been set out in the circular dated 21 March 2006), (ii) warrants (there are in total 658,604,400 warrants outstanding and 1,108,038,000 ordinary shares will be issued if all these warrants are exercised), (iii) pursuant to the conditional subscription agreement dated 12 June 2007, the convertible bonds (the "Convertible Bonds") to be issued to Lehman Brothers and (iv) the preferred shares to be issued to Great Ocean Real Estate Limited ("GORE") (the "Preferred Shares"). Details of the Convertible Bonds and Preferred Shares are set out in the announcements dated 13 June 2007 and 2 February 2007 and the circular dated 5 September 2007 respectively.

- (i) Long position in the ordinary shares of HK\$0.00125 each in the Company as at 30 September 2007:

Name of directors	Number of ordinary shares held		Approximate percentage of interests
	Type of interests	Number of ordinary shares	
Mr. Yu Hongzhi	Corporate (Note)	2,576,194,460	36.8%
	Beneficial	76,000,000	1.1%
Ms. Ma Zheng	Beneficial	54,000,000	0.8%

Note:

These shares are held by 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) and as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance.

- (ii) Long position in the underlying shares or debentures of the Company as at 30 September 2007:

Name of director	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Mr. Yu Hongzhi	Corporate	Convertible bond (Note)	313,503,280	4.5%

Note:

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\$6,270,065.60 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 2007. Mr. Yu Hongzhi is therefore deemed to be interested in these underlying shares under the SFO as well.

Save as disclosed above, as at 30 September 2007, none of the directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share Option

On 17 March 2004, 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 2007, 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 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 of the 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 will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

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.

As at 30 September 2007, the number of shares in respect of which options had been granted under the Post-Scheme was 176 million (nine months ended 30 September 2006: 176 million), representing 2.51% (nine months ended 30 September 2006: 2.58%) of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the Post-Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Post-Scheme, without prior approval from the Company's shareholders. However, the total number of shares available for issue under the Post-Scheme is approximately 681,246,720 shares, representing approximately 9.73% of the issued share capital as at 30 September 2007. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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 granted by the Company pursuant to the Post-Scheme and the options as at 30 September 2007 were as follows:

Grantees	Date granted	Balance	Granted during the period	Exercised during the period	Lapsed during the period	Balance	Period during which the options are exercisable	Exercise price per share
		as at 1 January 2007				as at 30 September 2007		
Mr. Yu Hongzhi (Director)	3 April 2006	3,800	-	(3,800)	-	-	3 April 2006 to 27 November 2011	HK\$0.053
Ms. Ma Zheng (Director)	3 April 2006	2,700	-	(2,700)	-	-	3 April 2006 to 27 November 2011	HK\$0.053
Mr. Chiu Winerthan (Director)	3 April 2006	1,000	-	(1,000)	-	-	3 April 2006 to 27 November 2011	HK\$0.053
Employees	3 April 2006	1,300	-	(1,300)	-	-	3 April 2006 to 27 November 2011	HK\$0.053
		8,800	-	(8,800)	-	-		

Note:

All the share options granted on 3 April 2006 were fully exercised. There is no share options outstanding as at 30 September 2007.

Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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 2007, 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:

- (a) The approximate percentage of interest set out below is based on 7,002,267,200 ordinary shares in issue as at 30 September 2007, not on the total number of issued shares upon full conversion of the (i) convertible bond issued in favour of Future Advance, (ii) warrants (there are in total 658,604,400 warrants outstanding and 1,108,038,000 ordinary shares will be issued if all these warrants are exercised), (iii) pursuant to the conditional subscription agreement dated 12 June 2007, the Convertible Bonds to be issued to Lehman Brothers and (iv) the Preferred Shares to be issued to GORE.
- (b) The underlying share referred to in the following table (iv) illustrates the position based on the assumption that the conversion rights attaching to the Preferred Shares and Convertible Bonds are fully exercised. As at 30 September 2007, both of the Preferred Shares and the Convertible Bonds have not yet been issued.
- (i) *Long position in the ordinary shares of HK\$0.00125 each in the Company as at 30 September 2007:*

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of issued share capital
Future Advance Holdings Limited	Beneficial	2,576,194,460	36.8%
China Zong Heng Holdings Limited	Corporate (Note)	2,576,194,460	36.8%

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 Mr. Wu Yong Jin and as to the remaining 10% by Ms. Ma Yi.

- (ii) *Long position in the ordinary shares of HK\$0.00125 each in the Company as at 30 September 2007 (this long position related a transaction to the acquisition of the Shares between APAC Resources Limited and other shareholders):*

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of issued share capital
APAC Resources Limited	Beneficial (Note)	862,912,520	12.3%

Note:

On 29 May 2007, a wholly-owned subsidiary of APAC Resources Limited 亞太資源有限公司 entered into the sale and purchase agreement with three existing shareholders for the acquisition of the total of 862,912,520 ordinary shares of the Company.

(iii) Long position in the underlying shares or debentures of the Company as at 30 September 2007:

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	4.5%
China Zong Heng Holdings Limited	Corporate	Convertible bond (Note 1)	313,503,280	4.5%
胡玉女士 (Ms. Hu Yu) [#]	Beneficial	Warrants (Note 2)	473,088,000	6.8%

Notes:

1. These underlying 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) and as to 12.5% by Ms. Ma Zheng who is the sole director of Future Advance.
2. On 18 August 2005, 胡玉女士 (Ms. Hu Yu)[#], a private investor of the Company, entered into a warrant placing agreement with the Company pursuant to which 胡玉女士 (Ms. Hu Yu)[#] is entitled to subscribe for 23,654,400 shares at an initial exercise price of HK\$0.32 per share within a period of two years commencing from the date of issue of the warrants which was 4 October 2005. Due to the share subdivision effective on 1 August 2006, each warrant has been adjusted to the effect of conferring right to 胡玉女士 (Ms. Hu Yu)[#] the right to subscribe for 20 subdivided share of the Company and the exercise price was adjusted to HK\$0.015 per subdivided share of the Company on the close of the business on 31 July 2006.

23,654,400 warrants have been fully exercised on 25 September 2007 and 473,088,000 new shares have been allotted and issued on 2 October 2007.

(iv) Long position in the underlying shares or debentures of the Company as at 30 September 2007 (interest related to Convertible Bonds and Preferred Shares to be issued):

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Lehman Brothers Holdings Inc.	Beneficial	Convertible Bonds (Notes 1 & 3)	1,247,338,197	10.0%
Great Ocean Real Estate Limited	Beneficial	Preferred Shares (Notes 2 & 3)	2,802,235,294	40.0%
Mr. Zhang Zheng (張征先生)	Corporate	Preferred Shares (Notes 2 & 3)	2,802,235,294	40.0%

Notes:

- The underlying shares are held by Lehman Brothers, in which the ultimate beneficial owner is Lehman Brothers Holdings Inc.. The total number of shares to which Lehman Brothers are entitled under the Convertible Bonds has taken into account the existing issued share capital of the Company and all outstanding securities, which may be convertible into or carry rights to subscribe for new shares. Based on the existing issued share capital and assuming full conversion of the convertible bonds held by Future Advance (see section (iii) note 1 above) and exercise in full of all other securities carrying rights to subscribe for new shares including warrants and share options and other convertible securities convertible into new shares of the Company outstanding as at 30 September 2007, the maximum number of new shares to be issued upon full conversion of the Convertible Bonds is 1,247,338,197 shares, representing 10% of the issued share capital of the Company as enlarged by the full conversion of the aforesaid convertible securities. Details of which are set out in the circular dated 5 September 2007.

2. These underlying shares are held by GORE, a company incorporated in the British Virgin Islands with limited liability, and Mr. Zhang Zheng (張征), is the sole beneficial owner of GORE. The Preferred Shares to be issued carry conversion right convertible into ordinary shares of HK\$0.00125 each of the Company at the initial conversion rate of 1:1, subject to adjustments.
3. The abovementioned Convertible Bonds to Lehman Brothers and Preferred Shares to GORE have not yet been issued as at 30 September 2007.

It is on 26 October 2007 and 31 October 2007, with all the conditions being fulfilled, the creation and issuance of the Preferred Shares and Convertible Bonds completed respectively.

Save as disclosed above, as at 30 September 2007, 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

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 PRC. 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 2007, none of the Directors, management shareholders, 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 nine months ended 30 September 2007.

Audit committee

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three members, Mr. Wan Tze Fan Terence (“Mr. Wan”), Mr. Liu Weichang (“Mr. Liu”) and Mr. Gao Sheng Yu (“Mr. Gao”) who are the independent non-executive Directors of the Company. The primary duties of the audit committee are to review the Company’s annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group. The audit committee has reviewed the Group’s unaudited results for the three months and nine months ended 30 September 2007 and has provided advice and comments thereon.

Remuneration committee

The remuneration committee of the Company was established on 1 June 2005. The function of the remuneration committee is to consider and recommend to the Board on the Group’s remuneration policy and structure for all remuneration of executive directors and senior management and to review and determine the remuneration packages of the executive directors and senior management. The remuneration committee comprises three members, Mr. Wan, Mr. Liu and Mr. Gao who are the independent non-executive Directors of the Company.

Purchase, sale or redemption of securities

The Company had not redeemed any of its shares during the period ended 30 September 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s shares during the period ended 30 September 2007.

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

Hong Kong, 9 November 2007

For identification purpose only. The English transliteration of the Chinese names in this report are included for information only, and should not be regarded as the official English names of such Chinese names.

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.