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 2007

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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.

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This announcement, 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 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 from continuing operations was approximately HK$31,826,000 for the year ended 31 December 2007 (2006: HK$34,731,000), representing a decrease of approximately 8%.

Profit attributable to shareholders amounted to approximately HK$1,115,983,000 (2006: loss of approximately HK$5,938,000).

The directors do not recommend the payment of any final dividend for the year ended 31 December 2007.

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 (the "Group") for the year ended 31 December 2007 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations:			
Turnover	4	**31,826**	34,731
Other revenue and gain	5	**1,601**	1,077
Cost of inventories		**(31,261)**	(26,060)
Staff costs, including directors' remuneration	12	**(6,393)**	(4,109)
Depreciation		**(1,555)**	(1,082)
Amortisation on land use rights		**(653)**	(602)
Other operating expenses		**(9,685)**	(9,530)
Provision for impairment loss on property, plant and equipment		**(3,097)**	–
Provision for impairment loss on prepayments		**(273)**	–
Share of profits less losses of associates		**1,139,370**	–
Operating profit/(loss)		**1,119,880**	(5,575)
Finance costs	7	**(4,494)**	(301)
Profit/(loss) before income tax	6	**1,115,386**	(5,876)
Income tax credit/(charge)	8	**272**	(135)
Profit/(loss) after tax from continuing operations		**1,115,658**	(6,011)
Discontinued operations:			
Profit for the year from discontinued operations		**–**	18
Profit/(loss) for the year		**1,115,658**	(5,993)
Attributable to:			
Equity holders of the Company	10	**1,115,983**	(5,938)
Minority interests		**(325)**	(55)
Profit/(loss) for the year		**1,115,658**	(5,993)
Dividend	9	**–**	–
Earnings/(loss) per share of profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company during the year	11		
Basic		**HK$0.16**	(HK$0.001)
Diluted		**HK$0.097**	N/A
Earnings/(loss) per share of profit/(loss) from continuing operations attributable to the equity holders of the Company during the year			
Basic		**HK$0.16**	(HK$0.001)
Diluted		**HK$0.097**	N/A

CONSOLIDATED BALANCE SHEET

as at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**28,226**	30,314
Land use rights		**30,272**	28,500
Interests in associates		**2,133,361**	–
Deposits paid		**15,961**	18,627
		2,207,820	77,441
Current assets			
Inventories	13	**438**	2,539
Trade receivables	14	**–**	1,394
Other receivables, deposits and prepayments		**13,634**	6,045
Current tax refundable		**42**	39
Cash and cash equivalents		**294,063**	88,204
		308,177	98,221
Current liabilities			
Trade payables	15	**68**	467
Other payables and accruals		**2,038**	2,095
		2,106	2,562
Net current assets		**306,071**	95,659
Total assets less current liabilities		**2,513,891**	173,100
Non-current liabilities			
Convertible bonds		**226,107**	5,469
Deferred tax liabilities		**152,211**	19
Convertible preferred shares		**50,992**	–
		429,310	5,488
Net assets		**2,084,581**	167,612
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**9,344**	8,519
Reserves		**2,071,534**	154,442
		2,080,878	162,961
Minority interests		**3,703**	4,651
Total equity		**2,084,581**	167,612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company											
	Share capital HK$'000	Share premium account HK$'000	Convertible bonds reserve HK$'000	Employee compensation reserve HK$'000	Statutory surplus reserve HK$'000	Statutory public welfare reserve HK$'000	Convertible preferred share reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Warrants reserve HK$'000	Exchange translation reserve HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2006	5,914	69,497	–	–	2,851	1,425	–	(24,716)	473	888	–	56,332
Transfer to statutory surplus reserve	–	–	–	–	1,425	(1,425)	–	–	–	–	–	–
Currency translation (Net income recognised directly in equity)	–	–	–	–	481	–	–	–	–	1,032	–	1,513
Loss for the year	–	–	–	–	–	–	–	(5,938)	–	–	(55)	(5,993)
Transfer to capital reserves	–	–	–	–	353	–	–	(353)	–	–	–	–
Total recognised income and expenses for the year	–	–	–	–	834	–	–	(6,291)	–	1,032	(55)	(4,480)
Capital contributed by minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	4,706	4,706
Issue of new shares	2,602	97,456	–	–	–	–	–	–	–	–	–	100,058
Share issue expenses	–	(124)	–	–	–	–	–	–	–	–	–	(124)
Issue of convertible bonds	–	–	1,063	–	–	–	–	–	–	–	–	1,063
Employee share-based compensation	–	–	–	1,531	–	–	–	–	–	–	–	1,531
Issue of warrants	–	–	–	–	–	–	–	–	7,785	–	–	7,785
Exercise of warrants	3	772	–	–	–	–	–	–	(34)	–	–	741
Balance at 31 December 2006 and 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)	–	–	–	–	–	–	–	–	–	11,034	396	11,430
Profit for the year	–	–	–	–	–	–	–	1,115,983	–	–	(325)	1,115,658
Transfer to capital reserves	–	–	–	–	–	–	–	–	–	–	–	–
Total recognised income and expenses for the year	–	–	–	–	–	–	–	1,115,983	–	11,034	71	1,127,088
Acquisition of additional equity interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,019)	(1,019)
Issue of shares on exercise of share options	220	10,639	–	(1,531)	–	–	–	–	–	–	–	9,328
Issue of shares on exercise of warrants	605	10,011	–	–	–	–	–	–	(605)	–	–	10,011
Issue of convertible bonds and convertible preferred shares	–	–	22,163	–	–	–	902,562	–	–	–	–	924,725
Issue expenses for convertible bonds	–	–	(700)	–	–	–	–	–	–	–	–	(700)
Deferred tax arising from equity components of convertible bonds and convertible preferred shares	–	–	(3,541)	–	–	–	(148,923)	–	–	–	–	(152,464)
Balance at 31 December 2007	9,344	188,251	18,985	–	5,110	–	753,639	1,084,976	7,619	12,954	3,703	2,084,581

NOTES TO THE CONSOLIDATED 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 Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (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 and property development through its interests in associates, and operates primarily in the markets of the People's Republic of China ("PRC").

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the 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

The consolidated financial statements have been prepared under the historical cost convention.

(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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant 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 interest in the net assets of consolidated subsidiaries is identified separately from the group's equity therein. Minority interest consists 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.

2. Adoption of new and revised Standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. Segment information

Segment information is presented by way of a two segment format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- Manufacture and sale of PE/FRP pipes
- Sale of raw materials and composite materials (collectively as the "Composite Materials")
- Mine resources development and asset management (conducted through associates of the Group)
- MMOG services

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There was no intersegment sale or transfer during the year (2006: Nil).

(a) Primary reporting format – Business segments

	Continuing operations								Discontinued operations			
	Sale of Composite Materials		Manufacture and sale of PE/FRP pipes		Mine Resources Development and Assets Management		Total continuing operations		MMOG services		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**24,713**	14,920	**7,113**	19,811	**–**	–	**31,826**	34,731	**–**	75	**31,826**	34,806
Cost of services provided	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(57)	**–**	(57)
Cost of inventories	**(23,450)**	(9,081)	**(7,811)**	(16,979)	**–**	–	**(31,261)**	(26,060)	**–**	–	**(31,261)**	(26,060)
Other operating expenses	**(5,812)**	(2,838)	**(1,673)**	(3,769)	**–**	–	**(7,485)**	(6,607)	**–**	–	**(7,485)**	(6,607)
Segment results	**(4,549)**	3,001	**(2,371)**	(937)	**–**	–	**(6,920)**	2,064	**–**	18	**(6,920)**	2,082
Other revenue and gain											**1,601**	1,077
Finance costs											**(4,494)**	(301)
Unallocated expenses											**(14,171)**	(8,716)
Share of profits less losses of associates											**1,139,370**	–
Profit/(loss) before income tax											**1,115,386**	(5,858)
Income tax											**272**	(135)
Profit/(loss) for the year											**1,115,658**	(5,993)
Assets												
Segment assets			**91,689**	66,952			**91,689**	66,952			**91,689**	66,952
Unallocated assets											**2,424,308**	108,710
Total assets											**2,515,997**	175,662
Liabilities												
Segment liabilities			**(1,015)**	(467)			**(1,015)**	(467)			**(1,015)**	(467)
Unallocated liabilities											**(430,401)**	(7,583)
Total liabilities											**(431,416)**	(8,050)
Other information												
Capital expenditure			**625**	3,626			**625**	3,626			**625**	3,626
Unallocated capital expenditure											**1,687**	2,143
Total capital expenditure											**2,312**	5,769
Depreciation and impairment loss for the year			**5,202**	1,506			**5,202**	1,506			**5,202**	1,506
Unallocated depreciation											**602**	481
Total depreciation and impairment loss											**5,804**	1,987
Amortisation on land use rights			**653**	602			**653**	602			**653**	602

(b) **Secondary reporting format – Geographical segment**

	Continuing operations		Discontinued operations			
	The PRC		Hong Kong		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Revenue from external customers	**31,826**	34,731	**–**	75	**31,826**	34,806
Other segment information:						
Segment assets	**2,515,997**	175,662	**–**	–	**2,515,997**	175,662
Capital expenditure	**2,312**	5,769	**–**	–	**2,312**	5,769

4. Turnover

Turnover represents the sales value of goods supplied/services provided to customers and is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Continuing operations:		
Sale of Composite Materials	**24,713**	14,920
Sale of PE/FRP pipes	**7,113**	19,811
Sale of goods	**31,826**	34,731
Discontinued operations:		
MMOG service income	**–**	75
Provision of services	**–**	75
Total	**–**	34,806

5. Other revenue and gain

	2007	2006
	HK$'000	*HK$'000*
Continuing operations:		
Bank interest income	**1,529**	973
Gain on disposal of property, plant and equipment	**57**	–
Sundry income	**15**	104
	1,601	1,077

6. Profit/(loss) before income tax

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arrived at after charging/(crediting) attributable to continuing operations:		
Auditor's remuneration	**700**	443
Operating lease charges		
– Land and buildings	**743**	554
Net foreign exchange losses	**1**	–
Depreciation *(Note)*	**2,707**	1,987
Gain on disposal of property, plant and equipment	**(57)**	–

Note: Depreciation charge of approximately HK$1,152,000 (2006: HK$905,000) has been included in cost of goods sold.

7. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Continuing operations:		
Interest expenses on		
– Loan from a shareholder wholly repayable within five years	**–**	39
– Convertible bonds wholly repayable within five years	**3,700**	262
Imputed interest on convertible preferred shares	**794**	–
	4,494	301

8. Income tax

(a) Taxation in the consolidated income statement represents the following items from the continuing operations:

	2007	2006
	HK$'000	*HK$'000*
Current tax – Overseas		
– Under provision in respect of prior years	**–**	135
	–	135
Deferred taxation		
– attributable to the origination and reversal of temporary differences	**(272)**	–
	(272)	135

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 similarly 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 33%, comprising a state CIT rate of 30% and a local CIT rate of 3%. No provision for CIT has been made as the subsidiary sustained a loss during the current year and was exempted from CIT during the prior year.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law.

According to the New Tax Law, from 1 January 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%.

(b) The taxation (credit)/charge for the year can be reconciled to accounting profit/(loss), including profit from discontinued operations before income tax, at applicable tax rates:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before income tax, including profit from discontinued operations before income tax	**1,115,386**	(5,858)
Taxation calculated at the rates applicable to profits in the respective tax jurisdictions concerned	**374,355**	(782)
Tax effect of expenses not deductible for taxation purposes	**1,798**	1,135
Tax effect of non-taxable items	**(377,947)**	(876)
Tax effect on unused tax losses not recognised	**1,842**	523
Tax effect of income not taxable for tax purpose	**(320)**	–
Under-provision in respect of prior years	**–**	135
Income tax (credit)/charge for the year solely attributable to continuing operations	**(272)**	135

In addition to the income tax recognised in profit or loss, deferred tax relating to the issue of convertible bonds and convertible preferred shares has been charged directly to equity.

(c) Current taxation in the balance sheet represents

	The Group		**The Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Balance of profits tax overprovision relating to prior years refundable	**42**	39	**–**	–

9. Dividend

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2007 (2006: Nil).

10. Profit/(loss) for the year attributable to the equity holders of the Company

The consolidated profit attributable to equity holders of the Company includes a loss of approximately HK$44,182,000 (2006: HK$45,165,000) which has been dealt with in the financial statements of the Company.

11. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the company, adjusted to reflect the interest on the convertible bonds, convertible preferred shares, share options and warrants. 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 earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss)		
For continuing and discontinued operations		
Profit/(loss) for the year attributable to the equity holders of the Company for calculation of basic earnings/(loss) per share	**1,115,983**	(5,938)
Interest on convertible bonds	**3,700**	262
Interest on convertible preferred shares	**794**	–
Income tax effect	**(272)**	–
Profit/(loss) for the year attributable to the equity holders of the Company for calculation of diluted earnings/(loss) per share	**1,120,205**	(5,676)

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss)		
For continuing operations		
Profit/(loss) for the year attributable to the equity holders of the Company for calculation of basic earnings/(loss) per share	**1,115,983**	(5,956)
Interest on convertible bonds	**3,700**	262
Interest on convertible preferred shares	**794**	–
Income tax effect	**(272)**	–
Profit/(loss) for the year attributable to the equity holders of the Company for calculation of diluted earnings/(loss) per share	**1,120,205**	(5,694)

	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings/(loss) per share	**6,995,155**	6,231,001
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**138,432**	–
Convertible bonds	**1,560,842**	–
Convertible preferred shares	**2,802,235**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings/(loss) per share	**11,496,664**	6,231,001

Diluted loss per share for the year ended 31 December 2006 had not been disclosed as the convertible bonds, share options and warrants outstanding during the prior year had an anti–dilutive effect on the basic loss per share of that year.

12. Staff costs, including directors' remuneration

	2007	2006
	HK$'000	*HK$'000*
Continuing operations:		
Wages and salaries	**6,346**	2,529
Share options granted to directors and employees	**–**	1,531
Pension costs – defined contribution plans	**47**	49
	6,393	4,109

13. Inventories

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**358**	2,337
Finished goods	**80**	202
	438	2,539

14. Trade receivables

The ageing analysis of the gross trade receivables is as follows :

Group

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**–**	639
31 – 60 days	**–**	755
	–	1,394

The average credit period to the Group's trade receivables is 90 days.

Trade receivables as at 31 December 2006 that were neither individually nor collectively considered to be impaired were not past due.

15. Trade payables

Group

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**68**	–
31-60 days	**–**	453
61-90 days	**–**	14
	68	467

16. Significant non-adjusting post balance sheet event

On 11 March 2008, the Company and a vendor entered into an agreement pursuant to which the Company conditionally agreed to purchase 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping"), a company incorporated in the British Virgin Islands with limited liability, for a total consideration of HK$198,920,000, which shall be satisfied as to (i) HK$40,080,000 by cash and (ii) HK$158,840,000 by the issue of the ordinary shares of the Company. Zhong Ping and its subsidiaries hold the majority interest of the mining licence in respect of a project located at Mungun-Undur, Khentii Province, Mongolia. The project has prospects for silver, lead, zinc, and tin mineralisation. As at 31 December 2007, an earnest money of HK$15,000,000 had been paid by the Group for this proposed acquisition. Further details are disclosed in the announcement of the Company dated 17 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the year under review, the Group continued to engage in the general trading of FRP Pipes, raw materials and composite materials and production of FRP Pipes and polyethylene pipes ("PE" Pipes) in the PRC.

As stated in our previous quarterly report in 2007, production of FRP Pipes was still facing fierce competitions, and the resignation of Mr. Lang Fulai (key man to the FRP Pipes project) is still having a negative effect on the sale of the FRP Pipes. The management will consider if there can be any feasible solution for improving the business of FRP Pipes business.

On the other hand, the enhancement of the business of PE Pipes will be the focus of the management team in our production bases in Yichang, however, the sales in the year 2007 comparatively had not improved significantly, because we were still in the preliminary stages in that business. The management now have confidence in seeking ways of exploring more sales channel for that product in 2008 since they have full supports from our ex-director, Mr. Yu Hongzhi ("Mr. Yu") who have experience and business network in this business. In addition, Mr. Yu is the indirect substantial shareholder of the Company.

In the year of 2007, our mining business was very successful since we had completed the acquisition of the 22.28% interest in the registered capital of 新首鋼資源控股有限公司(Xin Shougang Zi Yuan Holdings Limited)[#] ("Xin Shougang"), and, as stated in our announcement dated 17 March 2008, we will acquire a mining company incorporated in Mongolia, and this company holds a mining licence 10278A issued by the Minerals Resources and Petroleum Authority of Mongolia, which covers an aggregate area of 173 hectares in the mining area located at Mungun-Undur, Khentii Province. According to the preliminary technical report prepared by a technical advisers, about 83% of estimated mineral resources covered by the licence held are classified as the inferred resources in accordance with the Australia's standards ("Inferred Resources"). The estimated amount of Inferred Resources is 2.4 million tonnes. After completing the acquisition, we will engage an expert team to develop this project accordingly.

FINANCIAL REVIEW

For the year ended 31 December 2007, the Group recorded a turnover of approximately HK$31,826,000, which represented a decrease of 8% while compared with that of last year's turnover of approximately HK$34,731,000. The turnover in 2007 was mainly attributed from the trading and production of PE Pipes. This represent the management are in line with their plans in developing the PE Pipes business.

During the year under review, the audited profit before income tax was approximately of HK$1,115,386,000 while the audited loss before income tax in the last year was of approximately HK$5,876,000. The profit attributable to shareholders was approximately of HK$1,115,983,000. The significant increase in the profit for the year was mainly due to the recognition of the excess amount of the Group' interests in the associated company – Xin Shougang Group over the purchase consideration and it was credited to the share of result of an associate in the consolidated income statement.

The Board will still adopt the stringent cost control and maintain thin and effective overheads structure and prudently utilize the corporate resources to create wealth for the shareholders.

BUSINESS OUTLOOK AND PROSPECTS

The production of the PE Pipes was just initiated in the year of 2006, but the results of the business was still not very impressive, but it was within the expectation of the management since their previous effort in 2007 was mainly focused on how to control and maintain the production and operation process of the PE Pipes so as to effectively control the production cost and the quality of the products. With possession of these abilities, management are now expecting a huge improvement in the sales of PE Pipes in 2008 because they are planning to put more resources on developing the sales team in Yichang for exploring more sales channels for the PE Pipes.

On the other hand, as it was stated by our Chairman, the Board's another more important tasks are to integrate the mining business and exploring more business opportunities in mining investment, the two projects mentioned above are just the beginning, the mining business will be our Group's main areas to develop in the future, whilst the Group will continue in keeping abreast of its core business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the net assets of the Group had increased approximately to HK$2,084,581,000 (2006: HK$167,612,000) while its total assets were approximately of HK$2,515,997,000 (2006: HK$175,662,000) including cash and bank balances of approximately of HK$294,063,000. With the current ratio of 146, the Group remained in a financially liquid position and is able to finance ongoing operation.

FUNDING ACTIVITY DURING THE YEAR

During the year, the Company had raised funds from the following activity:

Subscription of convertible bonds

On 12 June 2007, the Company, as issuer, entered into a subscription agreement (the "Subscription Agreement") with Future Advance Holdings Limited, as warrantor, and Lehman Brothers Commercial Corporation Asia Limited which ultimate beneficial owner is Lehman Brothers Holdings Inc., as investor, in respect of the issuance of certain convertible bonds of an aggregate principal amount of HK$246.25 million due 2010 with an annual coupon of 4.5% (the "Convertible Bonds"). The foregoing issuance was completed on 31 October 2007 and details set out in our announcement on the same date.

The Convertible Bonds may be converted into such number of ordinary shares of HK$0.00125 each (the "Shares"), representing 10% of the Company's fully diluted share capital at the time of conversion. Specific terms and conditions of the Convertible Bonds can be found in our Subscription Agreement and our circular dated 5 September 2007.

As at 31 December 2007, the maximum number of new shares to be issued upon full conversion of the Convertible Bonds is 1,247,338,197 Shares.

Except for the above, the Company had no other funds raising activities during the year under review. The above fund raising activity provides the Company with present and future capital resources which are necessary for the development of the Company.

With the funds raised previously and the internal generated financial resources, the Group has cash and bank balance approximately of HK$294,063,000 as at 31 December 2007, the directors of the Company (the "Directors") anticipate that the Group have adequate financial resources to meet its ongoing operations and present development.

SIGNIFICANT INVESTMENTS

The resolution for the acquisition of 22.28% interest in the registered capital of Xin Shougang for an aggregate consideration of approximately HK$971 million was duly passed on 2 October 2007 and the acquisition was then completed on 26 October 2007.

Save as disclosed above, the Group had no other significant investments for the year ended 31 December 2007.

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

On 17 March 2008, the Company announced that on 11 March 2008, the Company and China Review Holdings (Group) Limited ("the Vendor") entered into an agreement pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") (the "Acquisition"), which, through ARIA LLC, its non wholly-owned subsidiary incorporated in Mongolia, holds the majority interest of the mining right in respect of the project located at Mungun-Undur, Khentii Province, Mongolia, for a total consideration of HK$198,920,000. The consideration of which shall be satisfied as to (i) HK$40,080,000 by cash and (ii) HK$158,840,000 by the issue of the Shares of the Company. The Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. A circular containing, among other things, further details of the Acquisition and other information as required under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable.

Save as disclosed above, there were no material acquisition or disposal of subsidiaries and affiliated companies during the year. The Company has no other future plans for material investments.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group has 4 full-time employees working in Hong Kong and 57 full-time employees working in the PRC respectively. The total of employees' remuneration, for the year under review amounted to approximately HK$6,393,000. 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 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 31 December 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 year ended 31 December 2007.

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 four members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang, Mr. Gao Sheng Yu 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 report and announcements. After reviewing the Group's financial statements for the year ended 31 December 2007, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2007 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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 set out in Appendix 15, the Code on Corporate Governance Practices (the "Code") to the GEM Listing Rules during 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 2007, we still did not have an officer with the title of "Chief Executive Officer" (the "CEO"). The Code envisages that the management of the Board should rest on the Chairman, whereas the day-to-day management of the Company's business should rest on the 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 still holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, which all members are independent non-executive directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

Code Provision A.4.1

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

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

Except for Mr. Gao and Mr. Chung who was appointed for a specific term of two years, the other two were not appointed for 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 had 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.

The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company since the Company's website is not yet ready. However, once the website is ready for use, the Company will put the terms of reference on the Company's 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, 25 March 2008

\# *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, Mr. CHIU Winerthan and Mr. WONG Pui Yiu who are the executive directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang, Mr. GAO Sheng Yu 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.