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 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover was approximately HK$72,770,000 for the year ended 31 December 2008 (2007: HK$31,826,000), representing an increase of approximately 128.6%.

Loss attributable to equity holders of the Company for the year ended 31 December 2008 amounted to approximately HK$1,243,920,000 (2007: profit of HK$1,115,983,000).

The board of directors do not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: HK$Nil).

AUDITED RESULTS

The board of directors (the "Board") of China Primary Resources Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	4	**72,770**	31,826
Other income and gain	5	**7,524**	1,601
Cost of inventories sold		**(70,676)**	(31,261)
Staff costs, including directors' remuneration	12	**(49,435)**	(6,393)
Depreciation		**(1,770)**	(1,555)
Amortisation of mining rights		**(12,552)**	–
Amortisation of land use rights		**(694)**	(653)
Other operating expenses		**(13,793)**	(9,685)
Impairment loss on mining rights		**(230,814)**	–
Impairment loss on property, plant and equipment		**–**	(3,097)
Impairment loss on prepayments		**–**	(273)
Share of (losses)/profits, net of associates		**(1,155,573)**	1,139,370
Excess of the Group's share of the net fair value of the interests in subsidiaries acquired over the cost of acquisition		**118,110**	–
Finance costs	7	**(25,330)**	(4,494)
(Loss)/profit before income tax	6	**(1,362,233)**	1,115,386
Income tax credit	8	**63,236**	272
(Loss)/profit for the year		**(1,298,997)**	1,115,658
Attributable to:			
Equity holders of the Company	10	**(1,243,920)**	1,115,983
Minority interests		**(55,077)**	(325)
		(1,298,997)	1,115,658
Dividend	9	**–**	–
(Loss)/earnings per share	11		
– Basic (HK$)		**(0.156)**	0.160
– Diluted (HK$)		**N/A**	0.097

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**62,808**	28,226
Land use rights		**31,477**	30,272
Mining rights		**214,057**	–
Interests in associates		**1,112,008**	2,133,361
Deposits paid		**91,462**	15,961
		1,511,812	2,207,820
Current assets			
Inventories	13	**9,092**	438
Trade receivables	14	**45,081**	–
Other receivables, deposits and prepayments		**12,841**	13,634
Tax recoverable		**45**	42
Cash and cash equivalents		**99,361**	294,063
		166,420	308,177
Current liabilities			
Trade payables	15	**3,178**	68
Other payables and accruals		**14,596**	2,038
Convertible bonds		**6,228**	–
		24,002	2,106
Net current assets		**142,418**	306,071
Total assets less current liabilities		**1,654,230**	2,513,891
Non-current liabilities			
Convertible bonds		**232,552**	226,107
Deferred tax liabilities		**182,818**	152,211
Convertible preferred shares		**55,756**	50,992
		471,126	429,310
Net assets		**1,183,104**	2,084,581
EQUITY			
Share capital		**10,247**	9,344
Reserves		**1,134,516**	2,071,534
Equity attributable to equity holders of the Company		**1,144,763**	2,080,878
Minority interests		**38,341**	3,703
Total equity		**1,183,104**	2,084,581

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	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$'000	Convertible preferred shares reserve HK$'000	Warrants reserve HK$'000	Exchange translation reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2007	8,519	167,601	1,063	1,531	5,110	–	8,224	1,920	(31,007)	4,651	167,612
Translation of financial statements of foreign operation (net income recognised directly in equity)	–	–	–	–	–	–	–	11,034	–	396	11,430
Profit for the year	–	–	–	–	–	–	–	–	1,115,983	(325)	1,115,658
Total income and expense for the year	–	–	–	–	–	–	–	11,034	1,115,983	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 and at 1 January 2008	9,344	188,251	18,985	–	5,110	753,639	7,619	12,954	1,084,976	3,703	2,084,581
Translation of financial statements of foreign operation (net income recognised directly in equity)	–	–	–	–	–	–	–	155,956	–	1,837	157,793
Loss for the year	–	–	–	–	–	–	–	–	(1,243,920)	(55,077)	(1,298,997)
Total income and expenses for the year	–	–	–	–	–	–	–	155,956	(1,243,920)	(53,240)	(1,141,204)
Acquisition of equity interest of subsidiaries	–	–	–	–	–	–	–	–	–	87,878	87,878
Issue of shares on acquisition of subsidiaries	903	107,398	–	–	–	–	–	–	–	–	108,301
Recognition of equity - settled share-based compensation	–	–	–	43,548	–	–	–	–	–	–	43,548
Release of reserve upon lapse of share options	–	–	–	(5,517)	–	–	–	–	5,517	–	–
Balance at 31 December 2008	**10,247**	**295,649**	**18,985**	**38,031**	**5,110**	**753,639**	**7,619**	**168,910**	**(153,427)**	**38,341**	**1,183,104**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Organisation and operations

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in (i) manufacture and sale of Polyethylene ("PE")/Fibre Glass Reinforced Plastic ("FRP") pipes; (ii) mining businesses; and (iii) property development through its interests in associates, and operates primarily in the markets of the People's Republic of China (the "PRC") and the independent sovereign state of Mongolia ("Mongolia").

(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 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 the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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 adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

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

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKAS 39 Amendment	Financial instruments: recognition and measurement – eligible hedged items and embedded derivatives	(ii)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 18	Transfers of assets from customers	(ii)

HK(IFRIC) – Int 9	Reassessment of embedded derivatives	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 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")
– Mining operation

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 inter-segment sale or transfer during the year (2007: HK$Nil).

(a) Primary reporting format – Business segments

	Sale of composite materials		Manufacture and sale of PE/FRP pipes		Mining operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**52,998**	24,713	**19,772**	7,113	**–**	–	**72,770**	31,826
Cost of inventories sold	**(51,660)**	(23,450)	**(19,016)**	(7,811)	**–**	–	**(70,676)**	(31,261)
Other operating expenses	**(2,996)**	(5,812)	**(1,118)**	(1,673)	**–**	–	**(4,114)**	(7,485)
Segment results	**(1,658)**	(4,549)	**(362)**	(2,371)	**–**	–	**(2,020)**	(6,920)
Other income and gain							**7,524**	1,601
Finance costs							**(25,330)**	(4,494)
Share of profits less losses of associates	**–**	–	**–**	–	**(1,155,573)**	1,139,370	**(1,155,573)**	1,139,370
Unallocated expenses							**(186,834)**	(14,171)
(Loss)/profit before income tax							**(1,362,233)**	1,115,386
Income tax							**63,236**	272
(Loss)/profit for the year							**(1,298,997)**	1,115,658
Assets								
Segment assets	**25,638**	–	**151,581**	91,689	**214,057**	–	**391,276**	91,689
Interests in associates	**–**	–	**–**	–	**1,112,008**	2,133,361	**1,112,008**	2,133,361
Unallocated assets							**174,948**	290,947
Total assets							**1,678,232**	2,515,997
Liabilities								
Segment liabilities	**–**	–	**(18,074)**	(1,015)	**–**	–	**(18,074)**	(1,015)
Unallocated liabilities							**(477,054)**	(430,401)
Total liabilities							**(495,128)**	(431,416)
Other information								
Capital expenditure	**–**	–	**35,507**	625	**214,139**	–	**249,646**	625
Unallocated capital expenditure							**219**	1,687
Total capital expenditure							**249,865**	2,312
Depreciation and impairment loss for the year	**–**	–	**2,902**	5,202	**243,366**	–	**246,268**	5,202
Unallocated depreciation							**89**	602
Total depreciation and impairment loss							**246,357**	5,804
Amortisation of land use rights	**–**	–	**694**	653	**–**	–	**694**	653
Amortisation of mining rights	**–**	–	**–**	–	**12,552**	–	**12,552**	–

(b) Secondary reporting format – Geographical segment

	PRC		Mongolia		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**72,770**	31,826	**–**	–	**72,770**	31,826
Assets						
Segment assets	**1,289,227**	2,225,050	**214,057**	–	**1,503,284**	2,225,050
Unallocated assets					**174,948**	290,947
Total assets					**1,678,232**	2,515,997
Other information						
Capital expenditure	**35,507**	625	**214,139**	–	**249,646**	625
Unallocated capital expenditure					**219**	1,687
Total capital expenditure					**249,865**	2,312

4. TURNOVER

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

	2008	2007
	HK$'000	*HK$'000*
Sale of composite materials	**52,998**	24,713
Sale of PE/FRP pipes	**19,772**	7,113
	72,770	31,826

5. OTHER INCOME AND GAIN

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**2,267**	1,529
Compensation from a supplier#	**5,253**	–
Gain on disposal of property, plant and equipment	**–**	57
Sundry income	**4**	15
	7,524	1,601

The balance represented compensation from a supplier of equipment as a result of non-delivery of such equipment.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**720**	700
Operating lease charges		
– Land and buildings	**2,530**	743
Net foreign exchange losses	**868**	1
Depreciation *(Note)*	**2,991**	2,707
Write off of property, plant and equipment	**3**	–
Gain on disposal of property, plant and equipment	**–**	(57)

Note: Depreciation charge of approximately HK$1,221,000 (2007: HK$1,152,000) has been included in cost of inventories sold on the face of the consolidated income statement.

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on convertible bonds within five years	**20,184**	3,700
Imputed interest on convertible preferred shares	**4,764**	794
Others	**382**	–
	25,330	4,494

8. INCOME TAX

Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – PRC tax	**301**	–
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	**(63,537)**	(272)
Total tax credit for the year	**(63,236)**	(272)

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 are charged at the appropriate current rates of taxation ruling in the relevant countries.

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 was reduced from 33% to 25%.

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, 宜昌富連江複合材料有限公司, a wholly-owned subsidiary of the Company, established as a wholly foreign-owned enterprise in the PRC, is entitled to an exemption from the PRC state and local corporate income tax ("CIT") for the first two profitable financial years of its operation and thereafter a 50% relief from the state CIT of the PRC for the following three financial years (the "Tax Holiday"). Upon expiry of the Tax Holiday, the usual PRC CIT rate is 25%. No provision for CIT has been made as the subsidiary sustained a loss during the current and prior years.

9. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: HK$Nil).

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$112,279,000 (2007: loss of HK$44,182,000) which has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

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

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to equity holders of the Company, adjusted to reflect the interest on the convertible bonds, convertible preferred shares and the related income tax effect. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings 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 (loss)/earnings per share are based on the following data:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the equity holders of the Company for calculation of basic (loss)/earnings per share	**(1,243,920)**	1,115,983
Interest on convertible bonds	**20,184**	3,700
Interest on convertible preferred shares	**4,764**	794
Income tax effect	**(2,417)**	(272)
(Loss)/profit for the year attributable to the equity holders of the Company for calculation of diluted (loss)/earnings per share	**(1,221,389)**	1,120,205

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic (loss)/earnings per share	**7,974,443**	6,995,155
Effect of dilution – weighted average number of ordinary shares:		
– Warrants	**–**	138,432
– Convertible bonds	**1,689,435**	1,560,842
– Convertible preferred shares	**2,802,235**	2,802,235
Weighted avarage number of ordinary shares for the purposes of calculating diluted (loss)/earnings per share	**12,466,113**	11,496,664

No diluted loss per share for the year ended 31 December 2008 is presented because the convertible bonds, convertible preferred shares, warrants and share options are anti-dilutive.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**5,824**	6,346
Share options granted to directors and employees	**43,548**	–
Pension costs – defined contribution plans	**63**	47
	49,435	6,393

13. INVENTORIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**8,115**	358
Work in progress	**4**	–
Finished goods	**973**	80
	9,092	438

14. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 December 2008, two major customers accounted for most of the total trade receivables of the Group. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**3,729**	–
31 – 60 days	**4,669**	–
61 – 90 days	**13,532**	–
Over 90 days	**23,151**	–
	45,081	–

At 31 December 2008, all of the Group's trade receivables were neither past due nor impaired which related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised therefor as at the balance sheet date.

15. TRADE PAYABLES

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**1,494**	68
31 – 60 days	**1,661**	–
61 – 90 days	**13**	–
Over 90 days	**10**	–
	3,178	68

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The financial tsunami broke out in the second half of the year 2008 had great impact on the economy of the whole world, including the PRC and Hong Kong. The performance and financial position of a lot of business corporations are greatly affected. The Group, however, is still maintaining a competitive position in the market with effective cost control and cash management.

During the year under review, the Group continued to engage in (i) manufacture and sale of PE/FRP pipes; (ii) mining businesses; and (iii) property development through its interests in associates, and operates primarily in the markets of the PRC and Mongolia.

As stated in our 2007 annual report, the Group focus on the development and integration of the mining business. On 23 April 2008, the acquisition of the mining company in Mongolia was completed. However, the current economic condition has already affected the progress to commence the mining business. The management will carefully monitor the mining business for the benefit of the Company.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$72,770,000, which represented an increase of 128.6% when compared with last year's turnover of approximately HK$31,826,000. The turnover in 2008 was mainly attributed to the trading and production of FRP pipes and PE pipes. This shows the management are in line with their plans in developing the FRP pipes and PE pipes business.

During the year under review, the audited loss before income tax was approximately HK$1,362,233,000 while the audited profit before income tax of last year was approximately HK$1,115,386,000. The loss attributable to equity holders of the Company was approximately HK$1,243,920,000 (2007: profit of HK$1,115,983,000). The significant loss in 2008 was mainly due to the significant provision for impairment losses on the mining rights and significant share of losses of associates of the Group.

In the current economic condition, the Board will continue to adopt the stringent cost control and maintain a low and effective overheads structure and prudently utilise the corporate resources to create wealth for the shareholders.

BUSINESS OUTLOOK AND PROSPECTS

The production of the PE pipes and FRP pipes was performing well in the year 2008. The Board of directors believe that such business segment will continue to grow and will perform well even in such a bad economic condition. The Group is now building an effective sales team to attract more customers for the pipes.

On the other hand, the Board's other important tasks are to integrate the mining business and to explore 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 2008, the net assets of the Group is HK$1,183,104,000 (2007: HK$2,084,581,000) while its total assets were approximately HK$1,678,232,000 (2007: approximately HK$2,515,997,000) including cash and bank balances of approximately HK$99,361,000 (2007: HK$294,063,000). With a current ratio of 6.9, the Group is in a financially liquid position and is able to finance ongoing operation.

FUNDING ACTIVITY DURING THE YEAR

During the year, the Company did not have any fund raising activities.

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 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 rights in respect of the project located at Mungun-Undur, Khentii Province, Mongolia, for a total consideration of HK$148,381,000. The consideration of which shall be satisfied as to (i) HK$40,080,000 by cash and (ii) HK$108,301,000 by the issue of the Shares of the Company. The Acquisition constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further details of the Acquisition and other information as required under the GEM Listing Rules were disclosed in the circular dated 7 April 2008. The Acquisition was completed on 23 April 2008.

Save as disclosed above, there were no material acquisition or disposal of subsidiaries and affiliated companies during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had no other significant investments for the year ended 31 December 2008 except for the Acquisition mentioned above.

EMPLOYEE INFORMATION

As at 31 December 2008, the Group has 5 full-time employees working in Hong Kong and 52 full-time employees working in the PRC. The total employees' remuneration for the year under review amounted to approximately HK$49,435,000. 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 the 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 31 December 2008, 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 2008.

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. Chung Chin Keung who are the independent non-executive directors of the Company. During the year, the audit committee of the Company (the "Audit Committee") held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2008, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2008 comply with the 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 of the Code on Corporate Governance Practices (the "Code") set out in Appendix 15 to the GEM Listing Rules throughout the year under review:

Code Provision A.2.1

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

For the year 2008, 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 three independent non-executive Directors, they are Mr. Wan Tze Fan Terence ("Mr. Wan"), Mr. Liu Weichang ("Mr. Liu") and Mr. Chung Chin Keung ("Mr. Chung").

Except for Mr. Chung who 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 on the web site of the Company.

The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company since the Company's website is not yet ready. However, once it is ready for use, the Company will put the terms of reference on 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, 24 March 2009

The English translations of Chinese names or words in this announcement are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

As at the date of this announcement, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive directors, Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. CHUNG Chin Keung who are the independent non-executive directors.

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