



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)



First Quarterly Report 2009

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

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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.

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

HIGHLIGHTS

Turnover for the three months ended 31 March 2009 was approximately HK\$5,730,000, representing a decrease of approximately 86% from the corresponding period.

Loss attributable to shareholders for the same period amounted to approximately HK\$20,824,000 while it was loss of approximately HK\$70,292,000 in the corresponding period.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2009.

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 three months ended 31 March 2009 together with the comparative figures for the corresponding period as follows. The consolidated first quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2009	2008
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	5,730	41,231
Other income and gain	3	36	348
Cost of inventories sold		(5,464)	(39,827)
Staff costs, including directors' remuneration		(1,745)	(45,566)
Depreciation		(465)	(431)
Amortisation of mining rights		(2,016)	–
Amortisation of land use rights		(174)	(171)
Other operating expenses		(3,231)	(4,018)
Share of losses, net of associates		(8,729)	(15,692)
Finance costs	4	(6,444)	(6,237)
Loss before income tax		(22,502)	(70,363)
Income tax credit	5	1,108	–
Loss for the period		(21,394)	(70,363)

		For the three months ended 31 March	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		(20,824)	(70,292)
Minority interests		(570)	(71)
		<u>(21,394)</u>	<u>(70,363)</u>
Dividend	6	<u>–</u>	<u>–</u>
Loss per share	7		
Basic		<u>(HK0.25 cents)</u>	<u>(HK0.94 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

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 financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants. The financial statements also comply with applicable disclosure provision of the Hong Kong Companies Ordinance and the GEM Listing Rules. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries for the period ended 31 March 2009. 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.

The accounting policies adopted in the consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and HKAS issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2009. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

2. Turnover

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

	For the three months ended 31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of composite materials	1,697	32,612
Sale of PE/FRP Pipes	4,033	8,619
	<hr/>	<hr/>
Total	5,730	41,231
	<hr/> <hr/>	<hr/> <hr/>

3. Other income and gain

	For the three months ended 31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	36	345
Sundry income	-	3
	<hr/>	<hr/>
	36	348
	<hr/> <hr/>	<hr/> <hr/>

4. Finance costs

	For the three months ended 31 March	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on convertible bonds maturing within five years	5,046	5,046
Imputed interest on convertible preferred shares	1,191	1,191
Others	207	–
	<u>6,444</u>	<u>6,237</u>

5. Income tax

(a) Taxation in the consolidated income statement represents:

	For the three months ended 31 March	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	(1,108)	–
Total tax credit for the period	<u>(1,108)</u>	<u>–</u>

(b) No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been provided as the Group did not generate any assessable profits in those jurisdictions during the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

No PRC profits tax has been provided as the subsidiary companies in PRC were either entitled to an exemption from PRC state and local corporate income tax or did not generate any assessable profits in the PRC during the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

6. Dividend

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

7. Loss per share

The calculation of basic loss per share is based on the loss for the three months ended 31 March 2009 attributable to equity holders of the Company of approximately HK\$20,824,000 (three months ended 31 March 2008: approximately HK\$70,292,000), and the weighted average number of ordinary shares in issue during the three months ended 31 March 2009 of 8,197,355,200 shares (three months ended 31 March 2008: 7,475,355,200 shares).

Diluted loss per share for the three months ended 31 March 2009 and 31 March 2008 have not been disclosed as the convertible bonds, convertible preferred shares, share options and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.

8. Capital and reserves

Equity attributable to equity holders of the Company											
Share capital	premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred share reserve	Warrants reserve	Exchange translation reserve	(Accumulated losses)/		Minority interests	Total equity
								Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at											
1 January 2008	9,344	188,251	18,985	-	5,110	753,639	7,619	12,954	1,084,976	3,703	2,084,581
Translation of financial statements of foreign operation (net income recognised directly in equity)											
	-	-	-	-	-	-	-	108,156	-	81	108,237
Loss for the three months ended 31 March 2008											
	-	-	-	-	-	-	-	-	(70,292)	(71)	(70,363)
Total income and expense for the three months ended 31 March 2008											
	-	-	-	-	-	-	-	108,156	(70,292)	10	37,874
Recognition of equity-settled share-based compensation											
	-	-	-	44,197	-	-	-	-	-	-	44,197
Balance at 31 March 2008											
	<u>9,344</u>	<u>188,251</u>	<u>18,985</u>	<u>44,197</u>	<u>5,110</u>	<u>753,639</u>	<u>7,619</u>	<u>121,110</u>	<u>1,014,684</u>	<u>3,713</u>	<u>2,166,652</u>
Balance at											
1 January 2009	10,247	295,649	18,985	38,031	5,110	753,639	7,619	168,910	(153,427)	38,341	1,183,104
Translation of financial statements of foreign operation (net income recognised directly in equity)											
	-	-	-	-	-	-	-	2,150	-	103	2,253
Loss for the three months ended 31 March 2009											
	-	-	-	-	-	-	-	-	(20,824)	(570)	(21,394)
Total income and expense for the three months ended 31 March 2009											
	-	-	-	-	-	-	-	2,150	(20,824)	(467)	(19,141)
Balance at 31 March 2009											
	<u>10,247</u>	<u>295,649</u>	<u>18,985</u>	<u>38,031</u>	<u>5,110</u>	<u>753,639</u>	<u>7,619</u>	<u>171,060</u>	<u>(174,251)</u>	<u>37,874</u>	<u>1,163,963</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

The financial tsunami broke out in the second half of the year 2008 had great impact on the economy of the whole world, including the People's Republic of China (the "PRC") and Hong Kong. The performance and financial position of a lot of business corporations are greatly affected. The Group, however, is still maintaining a competitive position in the market with effective cost control and cash management. As expected, turnover of the first quarter of 2009 was reduced significantly due to the unfavoured economic condition. Other than that, the performance of the Group for the three months period ended 31 March 2009 was not seriously affected although the effect of the financial tsunami continued.

During the period under review, the Group continued to engage in (i) manufacture and sale of Polyethylene Pipes ("PE Pipes") and Fibre Glass Reinforced Plastic Pipes ("FRP Pipes") and sale of composite materials; (ii) mining businesses; and (iii) property development through its interests in associates, and operates primarily in the markets of the PRC and the independent sovereign state of Mongolia.

As stated in our 2007 annual report, the Group focuses on the development and integration of the mining business. However, the current economic condition has already affected the progress to commence the mining business. The management will carefully monitor the mining business in the benefit of the Company.

Financial review

Turnover was approximately HK\$5,730,000 for the period under review, which represented a decrease of 86% when compared with approximately HK\$41,231,000 in the corresponding period. The decrease in sale was mainly due to the decrease in sale of composite materials which contributed for over 79% of total turnover in the same period in 2008. Such decrease was mainly due to unfavoured economic condition and the Group was shifting its resources to manufacturing and sale of PE Pipes and FRP Pipes. The unaudited loss before income tax for the period under review was approximately HK\$22,502,000 while the unaudited loss before income tax for corresponding period was approximately HK\$70,363,000. The loss attributable to equity holders of the Company was approximately HK\$20,824,000 (three months ended 31 March 2008: approximately HK\$70,292,000). The loss for the period under review was mainly attributable to (i) the share of the loss of associated company of approximately HK\$8,729,000; and (ii) relatively low turnover in the reporting period. In the current economic environment, the Board will continue to adopt the stringent cost control and maintain a low and effective overheads 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 31 March 2009, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations and future development, even under the impact of the financial tsunami.

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

As at 31 March 2009, 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 8,197,355,200 ordinary shares in issue as at 31 March 2009, 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 634,950,000 warrants outstanding and 634,950,000 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") issued to Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (under liquidation and provisional liquidator appointed) and (iv) the preferred shares issued to Great Ocean Real Estate Limited ("GORE") (the "Preferred Shares").

- (i) Long position in the ordinary shares of HK\$0.00125 each in the Company as at 31 March 2009:

Name of Director	Type of interests	Number of ordinary shares held	
		Number of ordinary shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	54,000,000	0.66%

Note: Ms. Ma Zheng is holding 12.5% of the equity interest of Future Advance and Future Advance beneficially owned 31.43% of the equity interest of the Company. In addition, Ms. Ma Zheng is an executive director of the Company and the sole director of Future Advance.

- (ii) Long position in the underlying shares or debentures of the Company as at 31 March 2009:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share Option (<i>Note</i>)	20,000,000	0.24%
Mr. Liu Weichang	Beneficial	Share Option (<i>Note</i>)	3,000,000	0.04%
Mr. Wan Tze Fan Terence	Beneficial	Share Option (<i>Note</i>)	3,000,000	0.04%

Note:

On 8 January 2008, Ms. Ma Zheng, the sole director of Future Advance and an executive Director, has been granted 20,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 20,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

On 8 January 2008, Mr. Liu Weichang, an independent non-executive Director, has also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

On 8 January 2008, Mr. Wan Tze Fan Terence, an independent non-executive Director, has also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the current exercise price of HK\$0.22 per new Share.

Save as disclosed above, as at 31 March 2009, 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. Further details were set out in the announcement dated 17 March 2004. As at 31 March 2009, 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 31 March 2009, the Company has granted share options under the Post-Scheme to subscribe for 857,000,000 shares, of which 176,000,000 options were exercised, no options were cancelled, 95,000,000 options were lapsed and 586,000,000 options remain outstanding and not yet exercised. 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. 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 outstanding as at 31 March 2009 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 2009				as at 31 March 2009		
		'000	'000	'000	'000	'000		
Ms. Ma Zheng (Director)	8 January 2008	20,000	-	-	-	20,000	8 July 2008 to 27 November 2011	HK\$0.22
Mr. Wan Tze Fan Terence (Director)	8 January 2008	3,000	-	-	-	3,000	8 July 2008 to 27 November 2011	HK\$0.22
Mr. Liu Weichang (Director)	8 January 2008	3,000	-	-	-	3,000	8 July 2008 to 27 November 2011	HK\$0.22
Employees	8 January 2008	560,000	-	-	-	560,000	8 July 2008 to 27 November 2011	HK\$0.22
		<u>586,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,000</u>		

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 31 March 2009, 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:

The approximate percentage of interest set out below is based on 8,197,355,200 ordinary shares in issue as at 31 March 2009, 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 634,950,000 warrants outstanding and 634,950,000 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 issued to Lehman Brothers (under liquidation and provisional liquidator appointed) and (iv) the Preferred Shares issued to GORE.

- (i) Long position in the ordinary shares of HK\$0.00125 each in the Company as at 31 March 2009:

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	31.43%
China Zong Heng Holdings Limited	Corporate (Note 1)	2,576,194,460	31.43%
Mr. Yu Hongzhi	Corporate (Note 1)	2,576,194,460	31.43%
	Beneficial	76,000,000	0.93%
	Subtotal:	2,652,194,460	32.36%
APAC Resources Limited	Corporate	862,912,520	10.53%
Super Grand Investments Limited (“Super Grand”)	Beneficial (Note 2)	862,912,520	10.53%
胡玉女士 (Ms. Hu Yu) [#]	Beneficial	473,088,000	5.77%

Notes:

- 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, and 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.
- These shares are held by Super Grand and Super Grand is the wholly-owned subsidiary of APAC Resources Limited, the issued shares of which are listed on the main board of the Stock Exchange.

- (ii) Long position in the underlying shares or debentures of the Company as at 31 March 2009:

Name	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	3.82%
China Zong Heng Holdings Limited	Corporate	Convertible bond (Note 1)	313,503,280	3.82%
Lehman Brothers Holdings Inc. (under liquidation)	Beneficial	Convertible Bonds (Notes 2 & 4)	1,392,671,530	16.99%
Great Ocean Real Estate Limited	Beneficial	Preferred Shares (Notes 3 & 4)	2,802,235,294	34.18%
Mr. Zhang Zheng (張征先生)	Corporate	Preferred Shares (Notes 3 & 4)	2,802,235,294	34.18%

Notes:

- 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 31 March 2009. On 26 April 2009, the convertible bond matured and the Company repaid the principal amount plus all outstanding interests to Future Advance.

2. The underlying shares are held by Lehman Brothers (under liquidation and provisional liquidator appointed), the ultimate beneficial owner of which is Lehman Brothers Holdings Inc. (under liquidation). 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 (i) 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 31 March 2009, the maximum number of new shares to be issued upon full conversion of the Convertible Bonds is 1,392,671,530 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.
3. 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 issued carry the conversion right to convert into ordinary shares of HK\$0.00125 each of the Company at the initial conversion rate of 1:1, subject to adjustments.
4. 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 were completed respectively.

Save as disclosed above, as at 31 March 2009, 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 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 March 2009, 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 three months ended 31 March 2009.

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. Chung Chin Keung ("Mr. Chung") 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 ended 31 March 2009 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. Chung 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 31 March 2009. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period ended 31 March 2009.

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

Hong Kong, 11 May 2009

[#] *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 Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. CHUNG Chin Keung who are the independent non-executive Directors.