

First Quarterly Report
2010



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)

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.

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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 2010 was approximately HK\$38,156,000, representing an increase of approximately 566% from the corresponding period.

Loss attributable to owners of the Company for the same period amounted to approximately HK\$10,181,000 while it was loss of approximately HK\$20,824,000 in the corresponding period.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2010.

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 (collectively referred to as the “Group”) for the three months ended 31 March 2010 together with the comparative figures 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 CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March	
	Notes	2010 HK\$'000	2009 HK\$'000 (restated)
Turnover	2	38,156	5,730
Other income and gain	3	30	36
Cost of inventories sold		(35,444)	(5,464)
Staff costs, including directors' remuneration		(1,437)	(1,745)
Depreciation		(726)	(465)
Amortisation of mining rights		(2,025)	(2,016)
Amortisation of land use rights		(175)	(174)
Other operating expenses		(5,396)	(3,231)
Share of losses of associates, net		–	(8,729)
Finance costs	4	(6,435)	(6,444)
Loss before income tax	5	(13,452)	(22,502)
Income tax credit	6	2,815	1,108
Loss for the period		<u>(10,637)</u>	<u>(21,394)</u>
Loss attributable to:			
Owners of the Company		(10,181)	(20,824)
Minority interests		(456)	(570)
		<u>(10,637)</u>	<u>(21,394)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basis and diluted		<u>(0.83 cents)</u>	<u>(2.10 cents)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Loss for the period	(10,637)	(21,394)
Other comprehensive income		
Exchange differences on translation of associates	–	1,519
Exchange differences on translation of foreign operations	741	734
Other comprehensive income for the period, net of tax	741	2,253
Total comprehensive income for the period	(9,896)	(19,141)
Total comprehensive income for the period attributable to:		
Owners of the Company	(9,520)	(18,674)
Minority interests	(376)	(467)
	(9,896)	(19,141)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirement of Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements are prepared under the historical cost convention.

During and after the reporting period, the directors have been in discussion with the Joint and Several Liquidators of Lehman Brothers Commercial Corporation Asia Limited (In liquidation) (“LBCCA”), the holders of the 4.5% convertible bonds, for the settlement of the bonds which fall due on 31 October 2010 (the “Proposed Settlement”). As at the end of reporting period and at the date of approval of these financial statements, the Group has yet to conclude the Proposed Settlement with LBCCA. The Group’s liquidity and its ability to meet its operating costs and financial obligations are dependent on LBCCA continuing to exercise forbearance pending the outcome of the Proposed Settlement.

In the opinion of the directors, if the Proposed Settlement accomplishes the expected satisfactory results, the Group will have the ability to generate funds internally sufficient to meet its future working capital requirements and financial obligations. Accordingly, the directors consider that it is appropriate to prepare these financial statements on a going concern basis.

The condensed consolidated financial statements incorporated the financial statements of the Company and its principal subsidiaries for the period ended 31 March 2010. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The accounting policies adopted in the condensed consolidated results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and Hong Kong Accounting Standards (“HKAS”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2010. 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.

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

2. Turnover

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

	Three months ended 31 March	
	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Sales of PE/FRP Pipes	18,540	4,033
Sales of composite materials	19,616	1,697
	38,156	5,730

3. Other income and gain

	Three months ended 31 March	
	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Bank interest income	27	36
Sundry income	3	–
	30	36



4. Finance costs

	Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on convertible bonds maturing within five years	4,942	5,046
Imputed interest on convertible preferred shares	1,191	1,191
Others	302	207
	<u>6,435</u>	<u>6,444</u>

5. Loss before income tax

Loss before income tax is arrived at after charging:

	Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating lease charges in respect of land and buildings	526	647
Depreciation (<i>Note 1</i>)	1,764	783
Contribution to retirement benefit scheme	120	88
Write-off of property, plant and equipment	2,397	–
	<u>2,397</u>	<u>–</u>

Note:

1. Depreciation expense of approximately HK\$1,038,000 for the three months ended 31 March 2010 (three months ended 31 March 2009: approximately HK\$318,000) has been expensed in cost of goods sold.

6. Income tax credit

(a) Taxation in the condensed consolidated income statement represents:

	Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	2,815	1,108
	<hr/>	<hr/>
Total tax credit for the period	2,815	1,108
	<hr/> <hr/>	<hr/> <hr/>

(b) No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the three months ended 31 March 2010 (three months ended 31 March 2009: Nil). Taxation for overseas subsidiaries is 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 25%. No provision for CIT has been made as the subsidiary sustained a loss during the three months ended 31 March 2010 and prior years.

7. Dividend

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).



8. Loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,229,603,280 (three months ended 31 March 2009: 991,879,979 as restated) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended three months ended 31 March 2010 and 31 March 2009 in respect of a dilution as the impact of the convertible bonds, convertible preferred shares, share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of diluted loss per share is based on the loss for the three months ended 31 March 2010 attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds and convertible preferred shares and 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 three months ended 31 March 2010, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the full redemption or conversion of all dilutive potential ordinary shares into ordinary shares.

The basic and diluted loss per share are calculated as follows:

	Three months ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company used in the basic loss per share calculation	10,181	20,824

**Three months
ended 31 March**

2010 2009
'000 '000
(restated)

Number of shares

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

1,229,603 991,880

As the convertible bonds, convertible preferred shares, share options and warrants, where applicable, outstanding during the reporting periods had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in both reporting periods. Accordingly, the basic and diluted loss per share for the respective reporting periods are the same.

9. Unaudited condensed consolidated statement of changes in equity

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred shares reserve	Warrants reserve	Exchange translation reserve	Accumulated losses	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009	10,247	295,649	18,985	38,031	5,110	753,639	7,619	168,910	(153,427)	38,341	1,183,104
Total comprehensive income for the three months ended 31 March 2009	-	-	-	-	-	-	-	2,150	(20,824)	(467)	(19,141)
Balance at 31 March 2009	10,247	295,649	18,985	38,031	5,110	753,639	7,619	171,060	(174,251)	37,874	1,163,963

Equity attributable to owners of the Company

	Share capital	Share premium account	Convertible bonds reserve	Employee compensation reserve	Statutory surplus reserve	Convertible preferred shares reserve	Warrants reserve	Exchange translation reserve	Accumulated losses	Minority interests	Total equity
Balance at 1 January 2010	15,370	365,726	17,922	38,031	5,110	753,639	-	188,018	(1,008,890)	33,257	408,183
Total comprehensive income for the three months ended 31 March 2010	-	-	-	-	-	-	-	661	(10,181)	(376)	(9,896)
Balance at 31 March 2010	15,370	365,726	17,922	38,031	5,110	753,639	-	188,679	(1,019,071)	32,881	398,287



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. Turnover for the first quarter of 2010 was improved significantly due to the recovering economic condition.

The business segment of the Polyethylene Pipes ("PE Pipes") and Fibre Glass Reinforced Plastic Pipes ("FRP Pipes") was performing well in the first quarter of 2010 and was the main business of the Group in 2010. This business segment has been the core business of the Group for many years. The PE Pipes and FRP Pipes are products employed for constructions and city development in the PRC. Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the rapid and continuous development of the PRC market, the Directors believe that the demands for our products are both sustainable and look set to increase.

The Proposed Disposal

On 9 April 2010 (after trading hours), Yichang Shoukong Industries Co., Limited (宜昌首控實業有限公司) ("Yichang Shoukong"), a wholly-owned subsidiary of the Company, and 首鋼控股有限責任公司 (transliterated as Shougang Holdings Limited Liability Company) ("Shougang") entered into the agreement (the "Agreement") pursuant to which Yichang Shoukong has conditionally agreed to sell, and Shougang has conditionally agreed to purchase, the 12.21% equity interest in the registered paid up capital of 新首鋼資源控股有限公司 (transliterated as Xin Shougang Zi Yuan Holdings Limited) ("Xin Shougang") at an aggregate consideration of HK\$314.8 million (the "Disposal"). The consideration shall be satisfied by Shougang as to HK\$25.34 million by cash (or RMB22.28 million as agreed between the parties to the Agreement) and as to HK\$289.46 million by way of procuring Great Ocean Real Estate Limited to transfer 2,802,235,294 preferred shares (the "Preferred Shares") (the non-voting redeemable convertible preferred share(s) of HK\$0.00125 each in the existing share capital of the Company carrying rights to convert into conversion share(s)) to the Company for repurchase ("Share Repurchase") and cancellation subject to the terms and upon fulfillment of the conditions of the Agreement. Details are set out in the announcement of the Company dated 22 April 2010.



Proposed decrease in authorised share capital

As at the date of this report, the authorised share capital of the Company is HK\$125,000,000 divided into 9,600,000,000 ordinary shares of HK\$0.0125 each in the existing share capital of the Company (the “Shares”) and 4,000,000,000 Preferred Shares of HK\$0.00125 each. As a result of the Share Repurchase, all the Preferred Shares in issue will be cancelled. In order to extinguish the Preferred Share class from the authorised share capital of the Company, the Board proposed to diminish the authorised share capital of the Company from HK\$125,000,000 to HK\$120,000,000 by the cancellation of 4,000,000,000 Preferred Shares of HK\$0.00125 each in the authorised share capital of the Company. As a result, the authorised share capital of the Company will become HK\$120,000,000 divided into 9,600,000,000 Shares of HK\$0.0125 each. The decrease in authorised share capital is subject to the completion of the Disposal and Share Repurchase and the passing of an ordinary resolution by the shareholders of the Company (“Shareholders”) by way of poll at the extraordinary general meeting to be convened. Details are set out in the announcement of the Company dated 22 April 2010.

Save as mentioned above, during the period under review, the Group continued to engage in (i) manufacture and sale of PE Pipes and FRP Pipes and sale of composite materials; and (ii) mining businesses operating primarily in the markets of the independent sovereign state of Mongolia and the PRC. The latter is operated through the Group’s investments in Xin Shougang.

Financial review

Turnover was approximately HK\$38,156,000 for the period under review, which represented an increase of 566% when compared with approximately HK\$5,730,000 in the corresponding period. The increase in sale was mainly due to strong rebound of the global economy since 2009. The unaudited loss before income tax for the period under review was approximately HK\$13,452,000 while the unaudited loss before income tax for corresponding period was approximately HK\$22,502,000. The loss attributable to owners of the Company was approximately HK\$10,181,000 (three months ended 31 March 2009: loss of approximately HK\$20,824,000). The improvement in loss for the period under review was mainly attributable to the significant increase in turnover during the period under review. 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.



The current major challenge faced by the Group is to find a solution to settle the convertible bonds with Lehman Brothers Commercial Corporation Asia Limited (in liquidation) (“Lehman Brothers”). The liquidation of Lehman Brothers was totally unexpected. Because the convertible bonds issued by Lehman Brothers are due for redemption in October 2010, the Group is now in a net current liability position. The Company has been negotiating with the Joint and Several Liquidators of Lehman Brothers to look for a settlement solution. The directors are doing their best to investigate and come to a solution. Shareholders will be informed once there is a progress.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company, as at 31 March 2010, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations and future development.

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 2010, 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 1,229,603,280 ordinary shares in issue as at 31 March 2010, not on the total number of issued shares upon full conversion or exercise of (i) the convertible bonds (the “Convertible Bonds”) issued to Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) (in liquidation) pursuant to the conditional subscription agreement dated 12 June 2007, (ii) the preferred shares issued to Great Ocean Real Estate Limited (“GORE”) (the “Preferred Shares”) and (iii) the 73,601,600 (adjusted) outstanding share options granted under the share option scheme adopted by the Company on 28 November 2001.

(i) **Long position in the ordinary shares of HK\$0.0125 each in the Company as at 31 March 2010:**

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares (Note 2)	
Ms. Ma Zheng	Beneficial (Note 1)		8,100,000	0.66%

Notes:

- Ms. Ma Zheng is holding 12.5% of the equity interest of Future Advance Holdings Limited (“Future Advance”) and Future Advance beneficially owned 23.39% 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.
- Adjustment was made to the balances of the number of ordinary shares resulting from the consolidation (“Share Consolidation”) of every 10 ordinary shares of HK\$0.00125 each in the issued and unissued share capital into one consolidated share of HK\$0.0125 each in the issued and unissued share capital of the Company duly approved at the extraordinary general meeting held on 20 August 2009 by the shareholders and becoming effective 21 August 2009.

(ii) **Long position in the underlying shares or debentures of the Company as at 31 March 2010:**

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share Option (Note 1)	2,512,000	0.20%
Mr. Liu Weichang	Beneficial	Share Option (Note 2)	376,800	0.03%
Mr. Wan Tze Fan Terence	Beneficial	Share Option (Note 3)	376,800	0.03%

Notes:

1. On 8 January 2008, Ms. Ma Zheng, the sole director of Future Advance and an executive Director, had been granted 20,000,000 share options (pursuant to the completion of the Rights Issue and the Share Consolidation, the number of share options has been adjusted to 2,512,000 on 20 August 2009) 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 Shares (pursuant to the completion of the Rights Issue and the Share Consolidation, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 2,512,000 and HK\$1.752 per new Share respectively on 20 August 2009).
2. On 8 January 2008, Mr. Liu Weichang, an independent non-executive Director, had also been granted 3,000,000 share options (pursuant to the completion of the Rights Issue and the Share Consolidation, the number of share options has been adjusted to 376,800 on 20 August 2009) 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 (pursuant to the completion of the Rights Issue and the Share Consolidation, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 376,800 and HK\$1.752 per new Share respectively on 20 August 2009).
3. On 8 January 2008, Mr. Wan Tze Fan Terence, an independent non-executive Director, had also been granted 3,000,000 share options (pursuant to the completion of the Rights Issue and the Share Consolidation, the number of share options has been adjusted to 376,800 on 20 August 2009) 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 (pursuant to the completion of the Rights Issue and the Share Consolidation, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 376,800 and HK\$1.752 per new Share respectively on 20 August 2009).

Save as disclosed above, as at 31 March 2010, 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 are set out in the announcement dated 17 March 2004. As at 31 March 2010, 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 2010, the Company had 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 (which was adjusted to 73,601,600 options upon the Rights Issue and Share Consolidation) 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, (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), and (iii) the nominal value of the Company's share. 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 2010 were as follows:

Grantees	Date granted	Balance	Granted during the period	Exercised during the period	Lapsed during the period	Balance	Period	Exercise price per share (Note)
		as at 1 January 2010 (Note)				as at 31 March 2010 (Note)	during which the options are exercisable	
Ms. Ma Zheng (Director)	8 January 2008	2,512,000	-	-	-	2,512,000	8 July 2008 to 27 November 2011	HK\$1.752
Mr. Wan Tze Fan Terence (Director)	8 January 2008	376,800	-	-	-	376,800	8 July 2008 to 27 November 2011	HK\$1.752
Mr. Liu Weichang (Director)	8 January 2008	376,800	-	-	-	376,800	8 July 2008 to 27 November 2011	HK\$1.752
Employees	8 January 2008	70,336,000	-	-	-	70,336,000	8 July 2008 to 27 November 2011	HK\$1.752
		<u>73,601,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,601,600</u>		

Note: The number of share options and exercise price have been adjusted after the Rights Issue and Share Consolidation.

No share options were granted by the Company and no share options were exercised or lapsed during the period under review.

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 2010, 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 1,229,603,280 ordinary shares in issue as at 31 March 2010, not on the total number of issued shares upon full conversion or exercise of (i) the Convertible Bonds issued to Lehman Brothers (in liquidation) pursuant to the conditional subscription agreement dated 12 June 2007, (ii) the Preferred Shares issued to GORE and (iii) the 73,601,600 (adjusted) outstanding share options granted under the share option scheme adopted by the Company on 28 November 2001.

(i) Long position in the ordinary shares of HK\$0.0125 each in the Company as at 31 March 2010:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Future Advance Holdings Limited	Beneficial	287,619,446	23.39%
China Zong Heng Holdings Limited	Corporate (Note 1)	287,619,446	23.39%
Mr. Yu Hongzhi	Corporate (Note 1)	287,619,446	23.39%
	Beneficial	11,400,000	0.93%
	Subtotal:	299,019,446	24.32%
APAC Resources Limited	Corporate	129,436,878	10.53%
Super Grand Investments Limited ("Super Grand")	Beneficial (Note 2)	129,436,878	10.53%

Notes:

1. These shares are held by Future Advance. Future Advance is the only substantial shareholder which is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by Mr. Yu Hongzhi), 12.5% by Ms. Ma Zheng who is the sole director of Future Advance, 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by Mr. Zhang Lei), 13% by Mr. Wu Yong Jin and the remaining 10% by Ms. Ma Yi.
2. These shares are held by Super Grand and Super Grand is a 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 2010:

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Lehman Brothers Holdings Inc. (in bankruptcy)	Beneficial	Convertible Bonds (Notes 1 & 3)	184,733,481	15.02%
Great Ocean Real Estate Limited	Beneficial	Preferred Shares (Notes 2 & 3)	359,396,454	29.23%
Mr. Zhang Zheng (張征先生)	Corporate	Preferred Shares (Notes 2 & 3)	359,396,454	29.23%



Notes:

1. The underlying shares are held by Lehman Brothers (in liquidation), the ultimate beneficial owner of which is Lehman Brothers Holdings Inc. (in bankruptcy). 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 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 2010, the maximum number of new shares to be issued upon full conversion of the Convertible Bonds is 184,733,481 shares, representing 10% of the issued share capital of the Company as enlarged by the full conversion of the aforesaid convertible securities. Details of the Convertible Bonds are set out in the circular of the Company dated 5 September 2007.
2. These underlying shares are held by GORE, a company incorporated in the British Virgin Islands with limited liability. Mr. Zhang Zheng (張征) is the sole beneficial owner of GORE. The Preferred Shares issued carry conversion right to convert into ordinary shares of the Company at the initial conversion rate of 1:1 (adjusted to 1:1.2825 on 16 July 2009 and further adjusted to 1:0.1282 on 20 August 2009).
3. 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.

Save as disclosed above, as at 31 March 2010, 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 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 a company incorporated in the PRC and principally engaged in selling and producing PE Pipes in the PRC. Mr. Yu Hongzhi was not a substantial shareholder of 宜昌弘訊管業有限公司 ("Yichang HongXun Conduit and Calling Company Limited")# during the period under review. Save as disclosed above, as at 31 March 2010, 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 2010.

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 2010 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 2010. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period ended 31 March 2010.

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

Hong Kong, 11 May 2010

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

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.