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 2010

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

Turnover was approximately HK$157,651,000 for the year ended 31 December 2010 (2009: approximately HK$38,712,000), representing an increase of approximately 307.2%.

Loss attributable to owners of the Company amounted to approximately HK$57,170,000 (2009: loss approximately HK$864,145,000).

The Board do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: 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 2010 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Continuing operations			
Turnover	5	**157,651**	38,712
Other income and gain	6	**159**	539
Cost of inventories sold		**(137,752)**	(33,110)
Staff costs, including directors' remuneration	13	**(8,000)**	(8,280)
Depreciation		**(3,242)**	(2,447)
Amortisation of land use rights		**(723)**	(698)
Other operating expenses		**(20,499)**	(14,048)
Finance costs	7	**(22,416)**	(20,144)
Loss before income tax	8(a)	**(34,822)**	(39,476)
Income tax credit	9(a)	**821**	817
Loss for the year from continuing operations		**(34,001)**	(38,659)
Discontinued operations			
Loss for the year from discontinued operations	8(b)	**(24,761)**	(827,546)
Loss for the year		**(58,762)**	(866,205)
Loss attributable to:			
Owners of the Company		**(57,170)**	(864,145)
Non-controlling interests		**(1,592)**	(2,060)
		(58,762)	(866,205)
Basic and diluted loss per share from continuing and discontinued operations (HK$)	12	**(0.042)**	(0.865)
from continuing operations (HK$)	12	**(0.025)**	(0.039)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(58,762)**	(866,205)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**19,675**	(2,022)
Exchange differences released to profit or loss upon disposal of available-for-sale investments	**(152,326)**	–
Exchange differences on translation of an associate	**–**	18,106
Other comprehensive income for the year	**(132,651)**	16,084
Total comprehensive income for the year	**(191,413)**	(850,121)
Total comprehensive income for the year attributable to:		
Owners of the Company	**(192,061)**	(845,037)
Non-controlling interests	**648**	(5,084)
	(191,413)	(850,121)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2010** *HK$'000*	2009 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**154,720**	83,956
Land use rights		**31,330**	30,926
Mining rights		**–**	206,963
Available-for-sale investments		**–**	314,800
Deposits paid	14	**8,233**	57,231
		194,283	693,876
Current assets			
Inventories	15	**24,466**	50,719
Trade and bills receivables	16	**53,517**	10,788
Other receivables, deposits and prepayments	14	**236,168**	54,550
Tax recoverable		**–**	45
Cash and cash equivalents		**45,930**	76,071
		360,081	192,173
Assets classified as held for sale		**207,612**	–
		567,693	192,173
Current liabilities			
Trade payables	17	**5,024**	2,512
Other payables and accruals		**13,463**	2,457
Convertible bonds		**246,250**	241,271
Bank borrowings		**77,698**	–
		342,435	246,240
Liabilities associated with assets classified as held for sale		**29,510**	–
		371,945	246,240
Net current assets/(liabilities)		**195,748**	(54,067)
Total assets less current liabilities		**390,031**	639,809
Non-current liabilities			
Deferred tax liabilities		**19**	180,634
Convertible preferred shares		**–**	50,992
		19	231,626
Net assets		**390,012**	408,183
EQUITY			
Share capital		**30,180**	15,370
Reserves		**325,927**	359,556
Equity attributable to owners of the Company		**356,107**	374,926
Non-controlling interests		**33,905**	33,257
Total equity		**390,012**	408,183

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	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	Non-controlling 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**
Loss for the year	–	–	–	–	–	–	–	–	(864,145)	(2,060)	(866,205)
Other comprehensive income	–	–	–	–	–	–	–	19,108	–	(3,024)	16,084
Total comprehensive income	–	–	–	–	–	–	–	19,108	(864,145)	(5,084)	(850,121)
Rights issue	5,123	76,850	–	–	–	–	–	–	–	–	81,973
Share issue expenses	–	(6,773)	–	–	–	–	–	–	–	–	(6,773)
Redemption of convertible bonds	–	–	(1,063)	–	–	–	–	–	1,063	–	–
Release upon lapse of warrants	–	–	–	–	–	–	(7,619)	–	7,619	–	–
Balance at 31 December 2009 and 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**
Loss for the year	–	–	–	–	–	–	–	–	(57,170)	(1,592)	(58,762)
Other comprehensive income	–	–	–	–	–	–	–	(134,891)	–	2,240	(132,651)
Total comprehensive income	–	–	–	–	–	–	–	(134,891)	(57,170)	648	(191,413)
Open offer of shares	7,685	41,499	–	–	–	–	–	–	–	–	49,184
Share issue expenses in relation to the open offer of shares	–	(2,136)	–	–	–	–	–	–	–	–	(2,136)
Subscription of shares	7,125	38,475	–	–	–	–	–	–	–	–	45,600
Lapse of share options	–	–	–	(4,413)	–	–	–	–	4,413	–	–
Repurchase and cancellation of convertible preferred shares	–	–	–	–	–	(753,639)	–	–	834,233	–	80,594
Balance at 31 December 2010	**30,180**	**443,564**	**17,922**	**33,618**	**5,110**	**–**	**–**	**53,127**	**(227,414)**	**33,905**	**390,012**

NOTES TO THE FINANCIAL STATEMENTS

1. 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 the manufacture and sale of Polyethylene ("PE")/Fibre Glass Reinforced Plastic ("FRP") pipes and mining businesses that operates primarily in the markets of the People's Republic of China (the "PRC") and the independent sovereign state of Mongolia ("Mongolia"). The latter is operated through its available-for-sale investments. As set out in Note 8(b), the Group is in the process of disposing of the mining business to the holder of the Company's Convertible Bonds.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distribution of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/ revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) – Leases
As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of unexpired leasehold land and as at 31 December 2010 and concluded that the classification of such leases as operating leases continues to be appropriate.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[2]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified for the available-for-sale investments which are carried at fair value.

4. SEGMENT REPORTING

(a) Business segments

For the year ended 31 December 2010

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes	**Sale of composite materials**	**Total**	**Mining operations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	93,934	63,717	157,651	–	157,651
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	93,934	63,717	157,651	–	157,651
Reportable segment profit/(loss)	7,052	(4,103)	2,949	(24,761)	(21,812)
Reportable segment assets	320,227	100,764	420,991	207,612	628,603
Reportable segment liabilities	(85,220)	–	(85,220)	(29,510)	(114,730)
Other segment information:					
Interest income					72
Finance costs				(4,367)	(4,367)
Unallocated finance costs					(22,416)
Total finance costs					(26,783)
Depreciation	(7,441)	–	(7,441)	–	(7,441)
Unallocated depreciation					(751)
Total depreciation					(8,192)
Amortisation of land use rights	(723)	–	(723)	–	(723)
Amortisation of mining rights	–	–	–	(6,987)	(6,987)
Loss on disposal of property, plant and equipment	(2,802)	–	(2,802)	–	(2,802)
Loss on disposal of available-for-sale investments	–	–	–	(26,495)	(26,495)
Gain on repurchase and cancellation of convertible preferred shares				10,699	10,699
Income tax credit	–	–	–	2,468	2,468
Unallocated income tax credit					821
Total income tax credit					3,289
Additions to non-current assets	79,662	–	79,662	–	79,662
Unallocated additions to non-current assets					18
Total additions to non-current assets					79,680

For the year ended 31 December 2009

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes	Sale of composite materials	Total	Mining operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	29,780	8,932	38,712	–	38,712
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	29,780	8,932	38,712	–	38,712
Reportable segment loss	(4,705)	(2,667)	(7,372)	(827,546)	(834,918)
Reportable segment assets	263,012	21,945	284,957	521,842	806,799
Reportable segment liabilities	(3,647)	–	(3,647)	(230,964)	(234,611)
Other segment information:					
Share of losses of an associate				(10,282)	(10,282)
Impairment loss on available-for-sale investments				(805,580)	(805,580)
Interest income					125
Finance costs				(4,764)	(4,764)
Unallocated finance costs					(20,144)
Total finance costs					(24,908)
Depreciation	(3,861)	–	(3,861)	(4)	(3,865)
Unallocated depreciation					(753)
Total depreciation					(4,618)
Amortisation of land use rights	(698)	–	(698)	–	(698)
Amortisation of mining rights	–	–	–	(8,090)	(8,090)
Income tax credit	–	–	–	1,367	1,367
Unallocated income tax credit					817
Total income tax credit					2,184
Additions to non-current assets	25,472	–	25,472	–	25,472
Unallocated additions to non-current assets					111
Total additions to non-current assets					25,583

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2010	2009
	HK$'000	*HK$'000*
Loss before income tax and discontinued operations		
Reportable segment loss	**(21,812)**	(834,918)
Segment loss from discontinued operations	**24,761**	827,546
Other income and gain	**159**	539
Corporate and other unallocated expenses	**(15,514)**	(12,499)
Finance costs	**(22,416)**	(20,144)
Consolidated loss before income tax from continuing operations	**(34,822)**	(39,476)

	2010	2009
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**420,991**	284,957
Segment assets of discontinued operations	**207,612**	521,842
Cash and cash equivalents	**45,930**	76,071
Unallocated corporate assets	**87,443**	3,134
Tax recoverable	**–**	45
Consolidated total assets	**761,976**	886,049

	2010	2009
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(85,220)**	(3,647)
Segment liabilities of discontinued operations	**(29,510)**	(230,964)
Convertible bonds	**(246,250)**	(241,271)
Deferred tax liabilities	**(19)**	(840)
Unallocated corporate liabilities	**(10,965)**	(1,144)
Consolidated total liabilities	**(371,964)**	(477,866)

(c) Geographic information

During the reporting period, the Group's operations and non-current assets other than financial instruments (specified non-current assets) are located in the PRC and Mongolia (2009: located in the PRC and Mongolia). The specified non-current assets information below is based on the location of the assets.

Segment information of the Group by geographical locations by customer is presented as below:

	Continuing operations		Discontinued operations			
	The PRC		Mongolia		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**157,651**	38,712	**–**	–	**157,651**	38,712
Specified non-current assets	**194,250**	484,913	**–**	206,963 *(Note)*	**194,250**	691,876
Unallocated non-current assets					**33**	2,000
Total non-current assets					**194,283**	693,876

Note: As explained as in Note 8(b), assets in Mongolia as at 31 December 2010 are included in assets classified as held for sale.

(d) Information about major customers

For the year ended 31 December 2010, revenues from two customers in the sale of composite materials segment amounted to HK$47,092,000 and HK$16,625,000 respectively, and revenues from three customers in the manufacture and sale of PE/FRP pipes segment amounted to HK$18,267,000, HK$10,892,000 and HK$10,249,000 respectively had contributed to more than 10% of the Group's revenue.

For the year ended 31 December 2009, revenues from two customers in the sale of composite materials segment amounted to HK$7,089,000 and HK$1,840,000 respectively, and revenues from two customers in the manufacture and sale of PE/FRP pipes segment amounted to HK$5,059,000 and HK$3,912,000 respectively had contributed to more than 10% of the Group's revenue.

5. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied to customers. An analysis of the Group's turnover from its continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sale of PE/FRP pipes	**93,934**	29,780
Sale of composite materials	**63,717**	8,932
	157,651	38,712

6. OTHER INCOME AND GAIN

	2010 *HK$'000*	2009 *HK$'000*
Continuing operations		
Bank interest income	**72**	125
Gain on deregistration of a subsidiary	**–**	320
Sundry income	**87**	94
	159	539

7. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Continuing operations		
Interest expenses on borrowing wholly repayable within five years	**2,723**	–
Imputed interest expenses on convertible bonds maturing within five years	**19,693**	19,936
Others	**–**	208
	22,416	20,144

8. LOSS BEFORE INCOME TAX

(a) Continuing operations

	2010 *HK$'000*	2009 *HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**680**	680
Minimum lease payments under operating lease charges in respect of land and buildings	**2,170**	2,272
Depreciation *(Note)*	**8,192**	4,614
Loss on disposal of property, plant and equipment	**2,802**	–
Write-off of property, plant and equipment	**–**	108

Note: The above depreciation charge included an amount of HK$4,950,000 (2009: HK$2,167,000) charged to cost of inventories sold on the face of the consolidated income statement.

(b) Discontinued operations

During the year, the Group started the process to dispose of its mining operations which are represented by a 12.21% equity interest in the registered paid up capital of Xin Shougang Zi Yuan Holdings Limited (新首鋼資源控股有限公司) ("Xin Shougang") it used to held, a company established in the PRC with limited liability, and the entire equity interest in Zhong Ping Resources Holdings Limited ("Zhong Ping"), a company incorporated in the British Virgin Islands ("BVI") and its subsidiary ("Zhong Ping Group") (collectively the "Disposal Group").

Xin Shougang and its subsidiary are principally engaged in mining business. The principal assets of Xin Shougang as at the date of disposal were the exclusive rights to invest in, develop and to apply for the mining rights for the mining sites with mainly iron minerals located at Yichang City, the PRC.

On 2 December 2010, the Group completed the disposal of its 12.21% equity interest in Xin Shougang, the consideration of which included a cash payment of approximately HK$25.3 million and the transfer to the Company the entire non-voting redeemable convertible preferred shares ("CPS") issued by the Company by Great Ocean Real Estate Limited, the sole shareholder of these shares, for repurchase and cancellation by the Company. The disposal of Xin Shougang resulted in a loss of approximately HK$26.5 million and the repurchase and cancellation of CPS resulted in a gain of approximately HK$10.7 million to the Group. Details of these transactions are set out in the Company's circular and announcement dated 8 June 2010 and 2 December 2010 respectively.

On 12 November 2010, independent shareholders of the Company passed a resolution at an extraordinary general meeting to approve the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators of Lehman Brothers appointed by the order of the court of First Instance of Hong Kong (the "Liquidator"), Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") in relation to the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers (the "Convertible Bonds") and the transfer of the 100% of the issued share capital of Zhong Ping to Lehman Brothers or a party so directed by Lehman Brother (the "Deed of Settlement").

Details of the terms of the Deed of Settlement are set out in the Company's circular and announcement dated 11 October 2010 and 12 November 2010 respectively. The Company is required to pay HK$85 million to Lehman Brothers as partial consideration of the redemption of the Convertible Bonds.

Zhong Ping holds a 70% interest in ARIA LLC, a company incorporated in Mongolia with limited liability. ARIA LLC in turn is the owner of the mining rights with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymeticalic Project located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Following the completion of the disposal of Xin Shougang and the approval of the Deed of Settlement described above, the Group has effectively discontinued its mining operations.

The results of the discontinued operations associated with the Group's investments in Xin Shougang up to the date of disposal and in Zhong Ping during the year included in the consolidated income statement are set out below:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Gain on repurchase and cancellation of convertible preferred shares	**10,699**	–
Depreciation	**–**	(4)
Amortisation of mining rights	**(6,987)**	(8,090)
Other operating expenses	**(79)**	(193)
Loss on disposal of available-for-sale investments	**(26,495)**	–
Finance costs	**(4,367)**	(4,764)
Impairment loss on available-for-sale investments	**–**	(805,580)
Share of losses of an associate	**–**	(10,282)
Loss before income tax	**(27,229)**	(828,913)
Income tax credit	**2,468**	1,367
Loss for the year from discontinued operations	**(24,761)**	(827,546)
Operating cash flows	**(16)**	(204)
Investing cash flows	**23,841**	–
Financing cash flows	**–**	(9,528)
Total cash flows	**23,825**	(9,732)

As at 31 December 2010, the Group had paid the consideration of HK$85 million to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds in accordance with the terms of the Deed of Settlement. As of the date of approval of these financial statements, the entire transaction has not been completed as the Lehman Brothers have not yet directed the Company to transfer the issued share capital of Zhong Ping to them or to their designated party. Unless the Company and Lehman Brothers agree to an extension, both parties have up to 31 October 2011 to exercise their rights and fulfil their obligations under the Deed of Settlement.

Accordingly, the payment of HK$85 million has been including in the statement of financial position as deposit paid for future settlement of the Convertible Bonds, the assets of Zhong Ping Group have been included and classified as assets held for sale and the liabilities of Zhong Ping Group have been classified as liabilities associated with assets classified as held for sale.

9. INCOME TAX

(a) Income tax credit in the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	**(821)**	(817)

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior years. Taxation for overseas subsidiaries is 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, Yichang Fuliangjiang Joint Composite Limited (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 enterprise income tax ("EIT") for the first two profitable financial years of its operation and thereafter a 50% relief from the state EIT of the PRC for the following three financial years (the "Tax Holiday"). Upon expiry of the Tax Holiday in 2011, the unified EIT rate of 25% will be applied in accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008. No provision for EIT has been made as the subsidiary sustained a loss during the current and prior years.

(b) **Income tax credit for the year can be reconciled to accounting loss, at applicable tax rates:**

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Loss before income tax	**(34,822)**	(39,476)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2009: 25%)	**(8,706)**	(9,869)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(410)**	(425)
Tax effect of expenses not deductible for taxation purposes	**6,718**	6,843
Tax effect of non-taxable items	**–**	(61)
Utilisation of tax loss previously not recognised	**(93)**	–
Tax effect on unused tax losses not recognised	**1,670**	2,695
Income tax credit for the year	**(821)**	(817)

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: HK$Nil).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$20,341,000 (2009: HK$29,208,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss:		
Loss for the purposes of basic and diluted loss per share	**57,170**	864,145

	2010	2009
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,375,675**	999,403

The weighted average number of ordinary shares in issue during the year has been adjusted to reflect the open offer and subscription of shares during the year.

From continuing operations

	2010	2009
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company	**57,170**	864,145
Less: Loss for year from discontinued operations	**(23,169)**	(825,486)
Loss for the purposes of basic and diluted loss per share from continuing operations	**34,001**	38,659

The number of shares used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share for the discounted operations is HK$0.017 per share (2009: loss of HK$0.826 per share), based on the loss for the year from the discontinued operations of HK$23,169,000 (2009: HK$825,486,000 and the number of shares as detailed above for both basic and diluted loss per share.

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 years ended 31 December 2010 and 2009 are the same.

13. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2010 HK$'000	2009 HK$'000
Continuing operations		
Salaries and allowances	**7,527**	7,767
Retirement benefit scheme contributions *(Note)*	**473**	513
	8,000	8,280

Note: Staff salaries of HK$1,236,000 (2009: HK$891,000) were included in the cost of inventories sold as presented in the consolidated income statement.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2010 ***HK$'000***	2009 *HK$'000*
Other receivables and deposits	**103,353**	69,995
Prepayments	**141,048**	42,059
	244,401	112,054
Less: Provision for impairment loss on prepayments	**–**	(273)
	244,401	111,781
Less : Current portion *(Note (i))*	**(236,168)**	(54,550)
Non-current portion *(Note (ii))*	**8,233**	57,231

Notes:

(i) Current portion of the balance as at 31 December 2010 included payments of HK$140,803,000 (2009: HK$41,800,000) to suppliers for future purchases of inventories in anticipation to increase in prices of composite materials and payment of HK$85,000,000 to Lehman Brothers as partial consideration for the redemption of the convertible bonds (Note 8(b)).

(ii) As at 31 December 2010, the Group paid deposits of HK$8,233,000 (2009: HK$2,264,000) for the construction of new factory buildings in Yichang, the PRC.

Balance as at 31 December 2009 included deposits paid of HK$20,871,000 for the purchase of property, plant and equipment for the expansion of the polyethylene pipes production facilities and HK$34,096,000 for the purchase and fit-out work of two properties located in Yichang, the PRC, for training, marketing and selling purposes. All these transactions were completed during the year and the related balances were transferred to the relevant items of property, plant and equipment.

15. INVENTORIES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**9,014**	25,458
Work in progress	**236**	205
Finished goods	**15,216**	25,056
	24,466	50,719

16. TRADE AND BILLS 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 and can be extended three months or more for major customers. The Group has set a maximum credit limit for each customer. 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.

An aging analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**42,578**	7,862
31 – 60 days	**8,341**	743
61 – 90 days	**46**	787
Over 90 days	**2,552**	1,396
	53,517	10,788

At 31 December 2010 and 2009, all of the Group's trade and bills receivables were neither past due nor impaired and related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised as at the end of the reporting periods.

At 31 December 2010, the Group's bills receivable of HK$18,836,000 were discounted to a bank with recourse. The Group continued to recognise the full carrying amount of the receivable, and the cash received as secured bank borrowings. No such transactions were entered into in 2009.

17. TRADE PAYABLES

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**3,626**	925
31 – 60 days	**52**	584
61 – 90 days	**27**	62
Over 90 days	**1,319**	941
	5,024	2,512

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

After the financial tsunami in 2008, the global economy rebounded quickly in late 2009 and continued to grow in 2010. Most corporations had benefited from the economic growth in 2010. The ordinary business of the Group was performing much better when compare to 2009 and 2008. Most importantly, the Company has reached settlement on the convertible bonds issue with Lehman Brothers Commercial Corporation Asia Limited during 2010. The settlement represents a big step of the Group as the going concern problem of the Group is resolved. Although the Group still incurred operating loss in 2010, the Directors believe that the Group will perform much better in the near future.

The business segment of the Polyethylene Pipes ("PE Pipes") and Fibre Glass Reinforced Plastic Pipes ("FRP Pipes") was performing well in 2010 and was the main business of the Group in 2010. FRP Pipes have gradually been replaced by the PE Pipes. From 2011 onwards, PE Pipes will become the main products of the Group. 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.

During the year under review, the Group continued to engage in manufacture and sale of PE Pipes and FRP Pipes and sale of composite materials. The manufacture business is expected to improve its performance as the economy continues to grow.

The Disposal of available-for-sale investments

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 ("Sale Interest 1") 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 would 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 ("GORE") 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 then 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.

With all conditions to the Agreement having been fulfilled, the Disposal and the Share Repurchase were completed on 2 December 2010 in accordance with the terms of the Agreement.

Since the completion of the sale of the Sale Interest 1 in accordance with the Agreement (the "Completion"), the Company does not hold any beneficial interest in Xin Shougang, and the repurchase shares, which represented all the Preferred Shares issued by the Company, have been cancelled. After the Completion, GORE ceased to hold any securities of the Company.

Details are set out in the announcements dated 22 April 2010, 12 November 2010 and 2 December 2010 and the circular dated 8 June 2010 of the Company.

Decrease in authorised share capital

As a result of the Share Repurchase, all the Preferred Shares in issue have been cancelled. In order to extinguish the Preferred Share class from the authorised share capital of the Company, the Board diminished 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 (the "Authorised Share Capital Decrease"). As a result, the authorised share capital of the Company became HK$120,000,000 divided into 9,600,000,000 Shares of HK$0.0125 each. The Authorised Share Capital Decrease was passed as an ordinary resolution by the shareholders of the Company ("Shareholders") by way of poll at the extraordinary general meeting held on 28 June 2010. With all conditions to the Agreement having been fulfilled, the Disposal and the Share Repurchase were completed on 2 December 2010 in accordance with the terms of the Agreement.

Details are set out in the announcements dated 22 April 2010 and 2 December 2010 and the circular dated 8 June 2010 of the Company.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers Commercial Corporation Asia Limited (in liquidation) ("Lehman Brothers") (as Bondholder) and the joint and several liquidators of Lehman Brothers appointed by the order of the Court of First Instance of Hong Kong (the "Liquidators") signed the deed of settlement (the "Deed of Settlement") for the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers pursuant to the subscription agreement dated 12 June 2007 (the "Convertible Bonds").

Pursuant to the Deed of Settlement, the Company shall pay to the Bondholder a sum of HK$85 million in November 2010 and transfer the Sale Interest 2 (as defined below) to the Bondholder or any third party as directed by the Bondholder.

The Sale Interest 2 represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") (being the holder of the 70% equity interest in ARIA LLC ("ARIA"), a company incorporated in Mongolia with limited liability), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Zhong Ping, through ARIA, holds the majority interest of the mining right in respect of the green field exploration project namely the Mungun-Undur Polymetallic Project (the "Project") located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the date of this announcement, the completion of the Deed of Settlement and the disposal are still in progress and the Company will announce for any further development.

Details are set out in the announcements dated 27 September 2010 and 12 November 2010 and the circular dated 11 October 2010 of the Company.

The Subscription

On 17 September 2010, the Company and Mr. Yu Hongzhi entered into the subscription agreement (the "Subscription Agreement") pursuant to which the Company conditionally agreed to issue and Mr. Yu Hongzhi conditionally agreed to subscribe for a total of 570,000,000 subscription shares (the "Subscription Share(s)") at HK$0.08 per Subscription Share (the "Issue Price") under the subscription (the "Subscription"). The Subscription Shares represent approximately 46.4% of the then issued share capital of the Company; approximately 31.7% of the then issued share capital as enlarged by the issue of the Subscription Shares and approximately 23.6% of the then issued share capital as enlarged by the issue of the Subscription Shares and 614,801,640 new Shares (the "Offer Shares") offered to the Shareholders whose names appeared on the register of members of the Company on 27 October 2010 (the "Record Date") (the "Qualifying Shareholders") on the terms set out in the underwriting agreement (the "Underwriting Agreement") dated 17 September 2010 entered into between the Company and Mr. Yu Hongzhi, the underwriter, and in the prospectus dated 28 October 2010. The net proceeds of the Subscription were approximately HK$45.6 million. The Subscription and the issue of one Offer Share for every two Shares held on the Record Date at a price of HK$0.08 per Offer Share (the "Open Offer") were inter-conditional upon each other.

Details are set out in the announcements dated 27 September 2010 and 12 November 2010 and the circular dated 11 October 2010 of the Company.

The Open Offer

On 17 September 2010, the Company proposed to raise approximately HK$49.2 million before expenses by way of the Open Offer of 614,801,640 Offer Shares at a price of HK$0.08 per Offer Share.

The Open Offer was only available to the Qualifying Shareholders and such Qualifying Shareholders were not entitled to apply for any Offer Shares which were in excess of their assured entitlements. The Open Offer was not available to excluded Shareholders (those Overseas Shareholders whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges in those places, consider it necessary or expedient to exclude them from the Open Offer).

A total of 266,674,137 Offer Shares were being applied for, representing approximately 43.38% of the total number of 614,801,640 Offer Shares offered under the Open Offer and approximately 11.05% of the enlarged issued share capital of the Company of 2,414,404,920 Shares immediately after completion of the Subscription and the Open Offer.

As a result of the under-subscription of the Offer Shares, Mr. Yu Hongzhi, the underwriter was obliged to subscribe for 348,127,503 Offer Shares that had not been validly subscribed for.

The Company applied the majority of the net proceeds from the Subscription and the Open Offer for the payment under the Deed of Settlement and retained the balance as general working capital of the Group for future operation and development. Details are set out in the announcements dated 27 September 2010 and 12 November 2010 and the circular dated 11 October 2010 of the Company.

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$157,651,000, which represented an increase of 307.2% when compared with last year's turnover of approximately HK$38,712,000. Such increase in sale was mainly due to the improved economic conditions and also the more concentration of the Group's resources on the manufacture and sale of PE Pipes business upon the disposal of the mining investments.

During the year under review, the consolidated income statement composed of continuing operations and discontinued operations. The audited loss before tax of continuing operations was approximately HK$34,822,000 (2009: HK$39,476,000). Loss from discontinued operations was approximately HK$24,761,000 (2009: HK$827,546,000). The loss attributable to owners of the Company was approximately HK$57,170,000 (2009: HK$864,145,000). In the current economic environment, the Board will continue to adopt stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders of the Company.

BUSINESS OUTLOOK AND PROSPECTS

The production of the PE Pipes and FRP Pipes was performing well in the year 2010. The Board of directors believe that this business segment will continue to grow and perform well. The Group has been building an effective sales team to explore new markets and find more customers for its products.

With the anticipated completion of the Deed of Settlement in 2011 and with the continue development of the pipes manufacturing business, the Group is targeting to become one of the largest PE Pipes manufacturers in the market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the net assets of the Group were approximately HK$390,012,000 (2009: HK$408,183,000) while its total assets were approximately HK$761,976,000 (2009: HK$886,049,000) including cash and bank balances of approximately HK$45,930,000 (2009: HK$76,071,000).

FUNDING ACTIVITY DURING THE YEAR

Save as the Subscription and the Open Offer disclosed above, the Company did not carry out any fund raising activities during the year under review.

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

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

SIGNIFICANT INVESTMENTS

The Group had not made any significant investments for the year ended 31 December 2010.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had 5 full-time employees working in Hong Kong and 122 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$9,236,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

Mr. Yu Hongzhi, a substantial shareholder of the Company and a director of the Company's subsidiary, Yichang Fulianjiang Joint Composite Limited, is the director and legal representative of 宜昌弘訊管業有限公司 (transliterated as Yichang HongXun Conduit and Calling Company Limited) ("Yichang HongXun"), 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 Yichang HongXun during the year under review. Save as disclosed above, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates has been 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.

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 control 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 five 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 2010, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2010 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Company's auditors, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than the share repurchase of unlisted shares, the Company had not redeemed any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary 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 2010, we still did not have an officer with the title of "Chief Executive Officer" ("CEO"). The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with 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 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, all members of which 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 the 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 is appointed for a specific term of two years, Mr. Wan and Mr. Liu are not appointed for any 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 has 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 website of the Company.

The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website 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 its 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, 23 March 2011

As at the date of this announcement, 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.

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.