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 2012

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.

HIGHLIGHTS

Turnover was approximately HK$39,192,000 for the year ended 31 December 2012 (2011: approximately HK$89,699,000), representing a decrease of approximately 56.3%.

Loss attributable to owners of the Company amounted to approximately HK$76,550,000 (2011: loss approximately HK$50,994,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: 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 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Turnover	5	**39,192**	89,699
Other income and gains and losses	6	**6,494**	198
Cost of sales		**(44,136)**	(90,405)
Staff costs, including directors' remuneration	13	**(9,205)**	(7,584)
Depreciation		**(4,743)**	(5,026)
Amortisation of land use rights		**(764)**	(757)
Impairment loss on property, plant and equipment		**(31,975)**	–
Impairment loss on trade receivables		**(23,060)**	(3,293)
Reversal of provision/(provision) for impairment loss on prepayments		**7,783**	(18,294)
Other operating expenses		**(15,777)**	(14,632)
Finance costs	7	**(45)**	(900)
Loss before income tax	8	**(76,236)**	(50,994)
Income tax	9	**(314)**	–
Loss for the year		**(76,550)**	(50,994)
Other comprehensive income			
Exchange differences on translation of foreign operations		**3,293**	17,159
Change in fair value of available-for-sale investments		**784**	–
Other comprehensive income for the year		**4,077**	17,159
Total comprehensive income for the year		**(72,473)**	(33,835)
Loss attributable to:			
Owners of the Company		**(76,550)**	(50,994)
Non-controlling interests		**–**	–
		(76,550)	(50,994)
Total comprehensive income attributable to:			
Owners of the Company		**(72,473)**	(33,835)
Non-controlling interests		**–**	–
		(72,473)	(33,835)
Basic and diluted loss per share (HK$)	12	**(0.032)**	(0.021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**123,250**	158,994
Land use rights		**31,575**	32,028
Available-for-sale investments		**36,398**	3,896
Total non-current assets		**191,223**	194,918
Current assets			
Inventories	14	**35,147**	23,281
Trade receivables	15	**30,891**	74,433
Other receivables, deposits and prepayments	16	**108,264**	124,589
Investments held for trading		**1,941**	–
Tax recoverable		**–**	298
Cash and cash equivalents		**7,111**	31,539
		183,354	254,140
Assets classified as held for sale		**207,612**	207,612
Total current assets		**390,966**	461,752
Total assets		**582,189**	656,670
Current liabilities			
Trade payables	17	**9,770**	13,022
Other payables and accruals		**11,951**	11,692
Customers' deposit		**1,004**	–
Convertible bonds		**246,250**	246,250
		268,975	270,964
Liabilities associated with assets classified as held for sale		**29,510**	29,510
Total current liabilities		**298,485**	300,474
Net current assets		**92,481**	161,278
Total assets less current liabilities		**283,704**	356,196

	2012 *HK$'000*	2011 *HK$'000*
Non-current liabilities		
Deferred tax liabilities	**–**	19
Total non-current liabilities	**–**	19
Total liabilities	**298,485**	300,493
NET ASSETS	**283,704**	356,177
Equity		
Share capital	**30,180**	30,180
Reserves	**219,619**	292,092
Equity attributable to owners of the Company	**249,799**	322,272
Non-controlling interests	**33,905**	33,905
TOTAL EQUITY	**283,704**	356,177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Equity attributable to owners of the Company									
	Share capital	Share premium account	Convertible bonds reserve	Employee compen-sation reserve	Statutory surplus reserve	Available-for-sale financial assets 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*
Balance at 1 January 2011	30,180	443,564	17,922	33,618	5,110	–	53,127	(227,414)	33,905	390,012
Loss for the year	–	–	–	–	–	–	–	(50,994)	–	(50,994)
Other comprehensive income	–	–	–	–	–	–	17,159	–	–	17,159
Total comprehensive income	–	–	–	–	–	–	17,159	(50,994)	–	(33,835)
Lapse of share options	–	–	–	(33,618)	–	–	–	33,618	–	–
Balance at 31 December 2011 and at 1 January 2012	**30,180**	**443,564**	**17,922**	**–**	**5,110**	**–**	**70,286**	**(244,790)**	**33,905**	**356,177**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(76,550)**	**–**	**(76,550)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**784**	**3,293**	**–**	**–**	**4,077**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**784**	**3,293**	**(76,550)**	**–**	**(72,473)**
Balance at 31 December 2012	**30,180**	**443,564**	**17,922**	**–**	**5,110**	**784**	**73,579**	**(321,340)**	**33,905**	**283,704**

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 pipes ("PE pipes") and operates primarily in the People's Republic of China (the "PRC") market.

The Group had ceased its mining activities in the independent sovereign state of Mongolia since November 2010 and is in the final stage of completing the disposal of its mining business to the holder of the Company's Convertible Bonds.

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

In the current year, the Group has adopted the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

Except as explained below, the adoption of these amendments has no significant impact on the Group's financial statements.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. Such information is also relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The Group did not have any significant transfers of financial assets in the current and previous years which require disclosure in the current accounting period under the amendments.

(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)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards:

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRS 9 – Financial Instruments

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, classification 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.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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 except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 to the financial statements in 2012 annual report.

4. SEGMENT REPORTING

(a) Business segments

For the year ended 31 December 2012

	Manufacture and sale of PE pipes *HK$'000*	Sale of composite materials *HK$'000*	Total *HK$'000*
Revenue from external customers	**39,181**	**11**	**39,192**
Reportable segment (loss)/profit	**(73,958)**	**7,788**	**(66,170)**
Reportable segment assets	**225,088**	**12,084**	**237,172**
Reportable segment liabilities	**(11,649)**	**–**	**(11,649)**
Other segment information:			
Interest income			**49**
Investment income from unlisted investment funds			**165**
Gain on disposal of investments held for trading			**5,570**
Fair value loss on investments held for trading			**(70)**
Finance costs			**(45)**
Depreciation	**(12,746)**	**(1)**	**(12,747)**
Unallocated depreciation			**(519)**
Total depreciation			**(13,266)**
Amortisation of land use rights	**(764)**	**–**	**(764)**
Impairment loss on property, plant and equipment	**(31,975)**	**–**	**(31,975)**
Write down of inventories	**(3,126)**	**–**	**(3,126)**
Impairment loss on trade receivables	**(23,060)**	**–**	**(23,060)**
Reversal of provision for impairment loss on prepayments	**–**	**7,783**	**7,783**
Loss on disposal of property, plant and equipment	**(9)**	**–**	**(9)**
Write off of property, plant and equipment	**(11)**	**–**	**(11)**
Unallocated write off of property, plant and equipment			**(154)**
Total write off of property, plant and equipment			**(165)**
Additions to non-current assets	**4,214**	**–**	**4,214**
Unallocated additions to non-current assets			**5,319**
Total additions to non-current assets			**9,533**

For the year ended 31 December 2011

	Manufacture and sale of PE pipes *HK$'000*	Sale of composite materials *HK$'000*	Total *HK$'000*
Revenue from external customers	62,005	27,694	89,699
Reportable segment loss	(15,997)	(22,620)	(38,617)
Reportable segment assets	293,010	31,059	324,069
Reportable segment liabilities	(13,827)	–	(13,827)
Other segment information:			
Interest income			82
Finance costs			(900)
Depreciation	(11,265)	(1,348)	(12,613)
Unallocated depreciation			(678)
Total depreciation			(13,291)
Amortisation of land use rights	(757)	–	(757)
Impairment loss on trade receivables	(3,293)	–	(3,293)
Impairment loss on prepayments	–	(18,294)	(18,294)
Gain on disposal of property, plant and equipment	57	26	83
Additions to non-current assets	10,492	–	10,492
Unallocated additions to non-current assets			76
Total additions to non-current assets			10,568

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

	2012	2011
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(66,170)**	(38,617)
Unallocated other income and gains and losses	**6,514**	198
Corporate and other unallocated expenses	**(16,535)**	(11,675)
Finance costs	**(45)**	(900)
Consolidated loss before income tax	**(76,236)**	(50,994)

	2012	2011
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**237,172**	324,069
Assets classified as held for sale	**207,612**	207,612
Cash and cash equivalents	**7,111**	31,539
Unallocated corporate assets	**130,294**	93,152
Tax recoverable	**–**	298
Consolidated total assets	**582,189**	656,670

	2012	2011
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(11,649)**	(13,827)
Liabilities associated with assets classified as held for sale	**(29,510)**	(29,510)
Convertible bonds	**(246,250)**	(246,250)
Deferred tax liabilities	**–**	(19)
Unallocated corporate liabilities	**(11,076)**	(10,887)
Consolidated total liabilities	**(298,485)**	(300,493)

(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 (2011: located in the PRC). The specified non-current assets information below is based on the location of assets.

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

	The PRC	
	2012	2011
	HK$'000	*HK$'000*
Revenue from external customers	**39,192**	89,699
Specified non-current assets	**154,825**	191,022

(d) Information about major customers

For the year ended 31 December 2012, revenue from two customers in the manufacture and sale of PE pipes segment amounted to HK$8,544,000 and HK$7,701,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

For the year ended 31 December 2011, revenue from one customer in the sale of composite materials segment amounted to HK$25,992,000, and revenues from two customers in the manufacture and sale of PE pipes segment amounted to HK$29,965,000 and HK$13,387,000 respectively. Each of them had contributed to more than 10% of the Group's total 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:

	2012	2011
	HK$'000	*HK$'000*
Sale of PE pipes	**39,181**	62,005
Sale of composite materials	**11**	27,694
	39,192	89,699

6. OTHER INCOME AND GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**49**	82
Sundry income	**954**	33
Gain on disposal of investments held for trading	**5,570**	–
Investment income from unlisted investment funds	**165**	–
Fair value loss on investments held for trading	**(70)**	–
(Loss)/gain on disposal of property, plant and equipment	**(9)**	83
Write off of property, plant and equipment	**(165)**	–
	6,494	198

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest expenses on borrowing wholly repayable within five years	**–**	900
Interest expenses on other borrowing	**45**	–
	45	900

8. LOSS BEFORE INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
Loss before income tax is arrived after charging:		
Cost of inventories sold	**41,010**	90,405
Write down of inventories *(Note 14)*	**3,126**	–
Auditors' remuneration	**780**	720
Minimum lease payments under operating lease charges in respect of land and buildings	**942**	1,339
Depreciation *(Note)*	**13,266**	13,291

Note: Depreciation charge included an amount of HK$8,523,000 (2011: HK$8,265,000) recognised as cost of inventories sold for the year.

9. INCOME TAX

Income tax in the consolidated statement of comprehensive income for the year ended 31 December 2012 represents under provision of income tax in respect of prior years.

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 the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%. No provision for EIT has been made as the subsidiary sustained a loss during the current and prior years.

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2012	2011
	HK$'000	*HK$'000*
Loss before income tax	**(76,236)**	(50,994)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2011: 25%)	**(19,059)**	(12,749)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**339**	720
Tax effect of expenses not deductible for taxation purposes	**15,809**	6,888
Tax effect of non-taxable items	**(2,354)**	(2)
Tax effect of temporary differences not recognised	**(118)**	(6)
Tax effect on unused tax losses not recognised	**5,468**	5,149
Under provision in respect of prior years	**314**	–
Others	**(85)**	–
Income tax for the year	**314**	–

The Group had tax losses arising in Hong Kong of HK$1,733,000 (2011: HK$1,733,000) and the PRC of HK$66,532,000 (2011: HK$50,349,000) which are available for offset against future taxable profits of the companies in which the losses arose for an indefinite period and for a period of five years respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some years.

10. 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 2012 includes a loss of HK$5,375,000 (2011: HK$4,644,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: HK$Nil).

12. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss:		
Loss for the purposes of basic and diluted loss per share	**76,550**	50,994

	2012	2011
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,414,405**	2,414,405

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

Diluted loss per share for the years ended 31 December 2012 and 2011 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue for both years.

13. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2012	2011
	HK$'000	*HK$'000*
Salaries and allowances	**8,581**	7,075
Retirement benefit scheme contributions	**624**	509
	9,205	7,584

Staff salaries of HK$1,659,000 (2011: HK$1,217,000) were included in cost of inventories sold for the year.

14. INVENTORIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Raw materials	**18,742**	6,197
Work in progress	**143**	141
Finished goods	**16,262**	16,943
	35,147	23,281

As at 31 December 2012, the Group made a provision of HK$3,126,000 (2011: HK$Nil) to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of sales for the year (Note 8).

15. TRADE RECEIVABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**53,951**	77,726
Less: Provision for impairment	**(23,060)**	(3,293)
	30,891	74,433

(a) 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 to 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.

(b) The below table reconciled the provision for impairment loss of trade receivables for the year:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**3,293**	–
Impairment loss recognised	**23,060**	3,293
Bad debts written off	**(3,293)**	–
At 31 December	**23,060**	3,293

At 31 December 2012, the Group's trade receivables of HK$23,060,000 (2011: HK$3,293,000) were individually determined to be impaired. The individually impaired receivables related to debts for which management has experienced prolonged delay in settlement and assessed to be irrecoverable. Consequently, specific provision for impairment has been fully recognised during the year. The Group does not hold any collateral over these balances.

(c) An aging analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**4,823**	26,603
31 – 60 days	**1,744**	613
61 – 90 days	**2,564**	889
Over 90 days	**21,760**	46,328
	30,891	74,433

(d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Not past due	**9,066**	66,684
Less than 31 days past due	**2,179**	90
31 – 60 days past due	**1,176**	25
61 – 90 days past due	**708**	–
Over 90 days but less than 1 year past due	**16,161**	7,634
Over 1 year but less than 2 year past due	**1,601**	–
	21,825	7,749
	30,891	74,433

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that had a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Other receivables and deposits	**88,544**	95,481
Prepayments	**30,408**	47,402
	118,952	142,883
Less: Provision for impairment loss on prepayments	**(10,688)**	(18,294)
	108,264	124,589

The balances as at 31 December 2012 included payments of HK$13,233,000 (2011: HK$28,885,000) to suppliers, net of provision for impairment loss of HK$10,688,000 (2011: HK$18,294,000), for future purchases of inventories in anticipation to increase in prices of composite materials and payments of HK$85,000,000 (2011: HK$85,000,000) to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds.

The below table reconciled the provision for impairment loss of other receivables, deposits and prepayments for the year:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**18,294**	–
(Reversal of provision)/provision for impairment loss	**(7,783)**	18,294
Exchange realignment	**177**	–
At 31 December	**10,688**	18,294

17. TRADE PAYABLES

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**970**	6,928
31 – 60 days	**66**	1,651
61 – 90 days	**211**	300
Over 90 days	**8,523**	4,143
	9,770	13,022

18. EVENTS AFTER THE REPORTING DATE

On 18 January 2013, the Group made capital contribution of RMB4,800,000 (equivalent to HK$5,970,000) to a newly established company in the PRC with a registered capital of RMB12,000,000. This company engages in agricultural and related business. When capital contributions are fully paid by all other shareholders, the Group will hold a 40% equity interest in this company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Turnover of the Group for the year ended 31 December 2012 was not performing well when compared to the corresponding year in 2011. The Board would like to report that the significant decrease in turnover was mainly due to the unstable global economic condition and the slow down of the development of the property market in the People's Republic of China ("PRC"). The policy on property and city development in the PRC has been changing continually which directly affected the construction sector which in turn affects the demand of the Polyethylene Pipes ("PE pipes").

On top of the above, the effect of the change of major shareholders in 2011 was still affecting the customer portfolio of the Group in 2012. Therefore, the Board and management have been working closely to strengthen the sale network with existing customers and in the meantime, looking for new customers so as to expand the customer portfolio. As a result of the above, turnover of the Group were relatively lower in 2012. However, the above efforts on customer portfolio have strengthened the foundation of the Group and could lead to success in the long term. Currently, the customer portfolio is stable and continues to grow. The Board believes the turnover and the result of the Group will be much better in 2013 and thereafter.

As mentioned above, due to low turnover, relatively high fixed production costs and customer strengthening actions in 2012, the gross margin was not meeting target. However, with the anticipated higher turnover under improved customer portfolio, gross margin will definitely improve in 2013 and in the long term.

The business segment of the PE pipes has been the core business of the Group and continued to be the main business of the Group in 2012. The PE pipes are materials employed for construction and city development in the PRC. Our major customers are government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continual development of the PRC economy and property market in the long term, the Board believes that the demands for our products are both sustainable and look set to increase.

During the year under review, the management recovered significant amount of long outstanding debts. After marking further specific provisions were made in 2012, the Board does not foresee any significant recoverability problem of trade debts in the near future. The Board will continue to monitor the assets and cash flow of the Group carefully.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers Commercial Corporation Asia Limited ("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 paid to the Bondholder a sum of HK$85 million in November 2010 and will transfer the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder.

The Sale Interest 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 rights 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. Pursuant to the Deed of Settlement, completion of the Deed of Settlement is conditional upon the fulfilment or waiver of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and the Bondholder (the "Long Stop Date"). In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into seven extension letters on 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012 and 27 December 2012 respectively to extend the Long Stop Date from 31 October 2011 to 31 December 2011, 29 February 2012, 30 March 2012, 30 May 2012, 31 August 2012, 31 December 2012 and 30 June 2013 respectively or such other date as may be agreed by the parties thereto. Save for the change in the Long Stop Date, all other terms and conditions of the Deed of Settlement remain unchanged and shall continue in full force and effect.

Details are set out in the announcements dated 27 September 2010, 12 November 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012 and 27 December 2012 and the circular dated 11 October 2010 of the Company.

FINANCIAL REVIEW

Turnover was approximately HK$39,192,000 for the year ended 31 December 2012, which represented a decrease of approximately 56.3% when compared with last year's turnover of approximately HK$89,699,000. Turnover of the Group during the year under review was not as good as the corresponding year in 2011. The Board believes the significant decrease in turnover was mainly due to (i) the unstable global, especially Europe, economic environment; (ii) slow down of the development of the property market in the PRC which directly affected the construction sector which in turn affects the demand of PE pipes; and (iii) continued effect from the change of major shareholders in 2011.

During the year under review, the audited loss before income tax was approximately HK$76,236,000 (2011: approximately HK$50,994,000). The loss attributable to owners of the Company was approximately HK$76,550,000 (2011: loss of approximately HK$50,994,000). In the current economic environment, the Board will continue to exercise 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 business of production and sale of the PE pipes were not performing well in the year 2012. However, the Board believes that this business segment will start to grow and perform much better in the year 2013 onwards. The Group has been building an effective sales team to explore new markets and identify more customers for its products.

With the anticipated completion of the Deed of Settlement in 2013 and the continued 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 2012, the net assets of the Group were approximately HK$283,704,000 (2011: approximately HK$356,177,000) while its total assets were approximately HK$582,189,000 (2011: approximately HK$656,670,000) including cash and bank balances of approximately HK$7,111,000 (2011: approximately HK$31,539,000).

FUNDING ACTIVITIES DURING THE YEAR

The Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2012, current assets of the Group amounted to approximately HK$390,966,000 which included cash of approximately HK$922,000 and RMB4,976,000 and assets classified as held for sale of HK$207,612,000 while current liabilities stood at approximately HK$298,485,000 which included convertible bonds of HK$246,250,000 and liabilities associated with assets classified as held for sale of HK$29,510,000. Shareholders' funds amounted to approximately HK$249,799,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 95.7% (convertible bonds less cash balances to equity attributable to owners of the Company) as of 31 December 2012. The gearing ratio would be nil if assets classified as held for sale, liabilities associated with assets classified as held for sale and convertible bonds were included.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi. The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and Renminbi, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated appreciation of RMB, the Group's foreign currency exposure was minimal for the year under review, except for certain materials purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities and no other assets of the Group were pledged.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to the financial statements.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. As at 31 December 2012, the issued share capital of the Company was made up of 2,414,404,920 ordinary shares of HK$0.0125 each.

MATERIAL ACQUISITION AND DISPOSAL 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 made certain investments through financial products issued by licensed banks in the PRC. Other than that, the Group had not made any significant investment for the year ended 31 December 2012.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had 5 full-time employees working in Hong Kong and 90 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$10,864,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

During the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. During the year under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2012, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2012 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 2012 have been agreed by the Company's auditors, BDO Limited, to the amounts set out in the Group's audited 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

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2012.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code for the period from 1 April 2012 to 31 December 2012 contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

For the year 2012, we still did not have an officer with the title of "Chief Executive". 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 Chief Executive. Ms. Ma Zheng, the Chairman, is also a 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.

During the year under review, the Company has three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing.

Except for Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. However, he is 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 Tze Fan Terence.

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

Hong Kong, 21 March 2013

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. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.

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