

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

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

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This report, for which the directors (the “Directors”) of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

HIGHLIGHTS

Turnover for the three months ended 31 March 2014 was approximately HK\$10,376,000 (three months ended 31 March 2013: approximately HK\$10,054,000), representing an increase of approximately 3% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$9,615,000 (three months ended 31 March 2013: loss of approximately HK\$7,277,000).

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

UNAUDITED RESULTS

The board of Directors (the “Board”) of China Primary Resources Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2014 together with the comparative figures as follows. The consolidated first quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Three months ended 31 March	
	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Turnover	2	10,376	10,054
Other income and gains and losses	3	(3)	284
Cost of sales		(11,795)	(10,326)
Staff costs, including directors' remuneration		(3,008)	(2,308)
Depreciation		(1,263)	(1,222)
Amortisation of land use rights		(192)	(192)
Other operating expenses		(3,628)	(3,563)
Finance costs	4	(102)	(4)
Loss before income tax	5	(9,615)	(7,277)
Income tax	6	—	—
Loss for the period		(9,615)	(7,277)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(6,693)	1,460
Other comprehensive income for the period		(6,693)	1,460
Total comprehensive income for the period		(16,308)	(5,817)
Loss attributable to:			
Owners of the Company		(9,615)	(7,277)
Non-controlling interests		—	—
		(9,615)	(7,277)
Total comprehensive income attributable to:			
Owners of the Company		(16,308)	(5,817)
Non-controlling interests		—	—
		(16,308)	(5,817)
Basic and diluted loss per share	8	(1.99 cents)	(1.50 cents)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

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

The 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 markets of the People's Republic of China (the "PRC"). The Group 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.

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2014. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods as prepared and presented.

2. TURNOVER

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

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of PE pipes	10,376	10,054
	<u>10,376</u>	<u>10,054</u>
	<u>10,376</u>	<u>10,054</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	20	5
Gain on disposal of investments held for trading	–	356
Investment income from unlisted investment funds	–	40
Fair value loss on investments held for trading	(91)	(117)
Sundry income	68	–
	<u>(3)</u>	<u>284</u>
	<u>(3)</u>	<u>284</u>

4. FINANCE COSTS

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on other borrowing	–	4
Interest expenses on a long-term loan	102	–
	<u>102</u>	<u>4</u>
	<u>102</u>	<u>4</u>

5. LOSS BEFORE INCOME TAX

Three months ended 31 March	
2014	2013
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Loss before income tax is arrived after charging:

Minimum lease payments under operating lease charges in respect of land and buildings	490	242
Depreciation (<i>Note</i>)	3,454	3,395
	—————	—————

Note: Depreciation charge included an amount of HK\$2,191,000 (three months ended 31 March 2013: HK\$2,173,000) recognised as cost of inventories sold for the periods under review.

6. INCOME TAX

Income tax in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

Three months ended 31 March	
2014	2013
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Income tax for the period	—	—
	—————	—————

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 periods. 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 subsidiaries sustained losses during the periods under review.

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

8. 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:

	Three months ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss:		
Loss for the purposes of basic and diluted loss per share	9,615	7,277

	Three months ended 31 March	
	2014	2013
	<i>'000</i>	<i>'000</i>
		(Restated)

Number of shares:

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	482,881	482,881
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The weighted average number of ordinary shares for the purpose of calculation of loss per share has been adjusted retrospectively for the share consolidation of the Company on 5 July 2013.

Diluted loss per share for the three months ended 31 March 2014 and 2013 are same as the basic loss per share as there were no dilutive potential ordinary shares in issue for periods under review.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								Total equity
	Share capital	Share premium account	Convertible bonds reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2013	30,180	443,564	17,922	5,110	784	73,579	(321,340)	33,905	283,704
Loss for the period	-	-	-	-	-	-	(7,277)	-	(7,277)
Other comprehensive income	-	-	-	-	-	1,460	-	-	1,460
Total comprehensive income	-	-	-	-	-	1,460	(7,277)	-	(5,817)
Balance at 31 March 2013	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>5,110</u>	<u>784</u>	<u>75,039</u>	<u>(328,617)</u>	<u>33,905</u>	<u>277,887</u>

	Equity attributable to owners of the Company								Total equity
	Share capital	Share premium account	Convertible bonds reserve	Statutory surplus reserve	Available-for-sale financial assets reserve	Exchange translation reserve	Accumulated losses	Non-controlling interests	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2014	30,180	443,564	17,922	5,110	1,564	81,656	(365,918)	33,905	247,983
Loss for the period	-	-	-	-	-	-	(9,615)	-	(9,615)
Other comprehensive income	-	-	-	-	-	(6,693)	-	-	(6,693)
Total comprehensive income	-	-	-	-	-	(6,693)	(9,615)	-	(16,308)
Balance at 31 March 2014	<u>30,180</u>	<u>443,564</u>	<u>17,922</u>	<u>5,110</u>	<u>1,564</u>	<u>74,963</u>	<u>(375,533)</u>	<u>33,905</u>	<u>231,675</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Turnover of the Group for the three months ended 31 March 2014 was slightly improved when compared to the corresponding period in 2013. However, there is still much room for the turnover to improve. The Board would like to report such level of the turnover was mainly due to the unstable performance of the property market in the People's Republic of China (the "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").

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. 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 the second half of 2014 and thereafter.

As mentioned above, due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under improved turnover and a strengthened customer portfolio, gross margin will definitely improve in the second half of 2014 and in the long term.

The business segment of the PE pipes has been the core business of the Group during the period under review and continued as the main business of the Group in 2014. The PE pipes are products employed for construction and city development in the PRC. The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Given the continue development of the PRC economy and improvement of the property market in the long term, the Board believes that the demands for the Group's products are both sustainable and look set to increase.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value. Please refer to the section "The Discloseable Transaction" below.

Deed of settlement and disposal of subsidiary

On 31 October 2007, the Company issued to Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) (the “Bondholder”) the then 4.5% convertible bonds of the Company in the principal amount of approximately HK\$246 million (the “Convertible Bonds” or “Bonds”) which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the joint and several liquidators of Lehman Brothers (the “Liquidators”) entered into the original agreement (the “Original Deed of Settlement”) to set out the terms for the redemption of the Bonds. Details of the Original Deed of Settlement were set out in the announcement of the Company dated 27 September 2010 and the circular of the Company dated 11 October 2010. On 27 October 2010, the Original Deed of Settlement was approved by the Shareholders. Pursuant to the Original Deed of Settlement, the redemption of the Bonds is subject to fulfillment of certain conditions including but not limited to the transfer of the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder and the payment of an aggregate amount of HK\$85 million. As at the date of this report, an aggregate payment of HK\$85 million has been made to the Bondholder but the transfer of such Sale Interest has not been effected as the necessary approvals and consent for the transfer of the 70% equity interest in ARIA LLC, a company incorporated in Mongolia with limited liability (“ARIA”), to Lehman Brothers or other third party in accordance with the terms of the Original Deed of Settlement (the “ARIA Transfer”) has not been obtained from the relevant government authorities in Mongolia. Thus, the redemption of the Bonds has not been completed as at the date of this report.

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited (“Zhong Ping”), a company incorporated in the British Virgin Islands (“BVI”) with limited liability (being the holder of the 70% equity interest in ARIA), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder elected to receive a transfer of the 70% equity interest in ARIA. To the best knowledge of the Directors, the registration of the ARIA Transfer could not be completed without a new joint venture agreement between a new shareholder and Selenge Mining LLC, a company organized and existing under the laws of Mongolia (the “Minority Shareholder”), having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the Minority Shareholder, it is unpredictable when a new joint venture agreement can be agreed and signed.

After negotiations with the Bondholder and the Liquidators, the Company entered into a supplemental deed on 15 January 2014 (the “Supplemental Deed”) with the Bondholder and the Liquidators, pursuant to which the Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consent required for the ARIA Transfer in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agrees to pay a total of approximately HK\$122,000,000 and to transfer the Sale Interest (which is classified as assets classified as held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds. The long-stop date has been extended several times to 23 May 2014 to allow more time for the transfer of the Sale Interest.

Details are set out in the announcements dated 27 September 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013, 31 October 2013, 29 November 2013, 30 December 2013, 15 January 2014 and 29 April 2014 and the circulars dated 11 October 2010 and 12 March 2014 of the Company.

Loan Agreement

Taking into account the current financial position of the Company, the Company has entered into a loan agreement (the “Loan Agreement”) with an independent third party to finance the payment of the non-refundable deposit in the sum of HK\$6 million (the “Deposit”) and the amount in HK\$ that is equal to the HK\$ equivalent of RMB24,000,000 (the “Fourth Payment Amount”). On 15 January 2014, the Company (as borrower) and Excel Sino Investments Limited (as lender) entered into the Loan Agreement, pursuant to which the Lender agreed to provide loans up to HK\$38.0 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

Details are set out in the announcement dated 15 January 2014 and the circular dated 12 March 2014 of the Company.

The Discloseable Transaction

On 10 April 2014, 中基能源(深圳)有限公司 (China Primary Energy (Shenzhen) Limited*), a wholly-owned subsidiary of the Company which is established in the PRC, as the purchaser (the “Purchaser”), 深圳鑫河企業管理諮詢有限公司 (Shenzhen Xin He Enterprise Management Consulting Co., Ltd.*), as the vendor (the “Vendor”) and 鄒淑豔 (Zou Shuyan*) and 徐海軍 (Xu Haijun*), as the guarantors (the “Guarantors”) entered into the sale and purchase agreement (the “SP Agreement”) pursuant to which the Purchaser conditionally agreed to acquire (the “Acquisition”) and the Vendor conditionally agreed to sell 70% of the registered capital of 燦光石化(福建)有限公司 (Can Guang Petrochemical (Fujian) Co., Ltd.*) (the “Target Company”), a company established in the PRC and the assigned debt (all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the completion of the SP Agreement (the “Completion”) whether actual, contingent or deferred or irrespective of whether or not the same is due and payable on completion, which will be assigned to the Purchaser upon Completion which as at 31 December 2013 amounted RMB3.5 million) at the consideration of RMB23.5 million (equivalent to approximately HK\$29.7 million) (the “Consideration”).

Based in Fujian Province and currently expanding in the PRC, the Target Company and its subsidiaries (the “Target Group”) is principally engaged in the supply of liquefied natural gas (the “LNG”) to the customers for industrial, commercial and household uses through sourcing of LNG from the upstream suppliers including but not limited to state-owned enterprise.

The scope of the Target Group’s business includes gas transmission and gas distribution. The main business operations of the Target Group is located in areas including Zhangzhou, Fuzhou, Ningde and Nanping, the PRC. The Target Group has built up its customer base in these areas for the supply of LNG.

The aggregate Consideration for the Acquisition of RMB23.5 million (equivalent to approximately HK\$29.7 million) shall be paid as follows:

- (1) RMB2.35 million (equivalent to approximately HK\$2.97 million) as the deposit and as part of the Consideration, shall be paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor at the time of the signing of the SP Agreement; and
- (2) the remaining balance of RMB21.15 million (equivalent to approximately HK\$26.77 million) shall be paid by the Purchaser to the Vendor (or its nominee) by way of a cashier order or other payment methods as agreed between the Purchaser and the Vendor upon Completion.

Details are set out in the announcement dated 10 April 2014 of the Company.

Rights Issue

The Company proposed to raise approximately HK\$50.7 million before expenses by issuing 241,440,492 rights shares (the “Rights Shares”) at the rights issue price of HK\$0.21 per Rights Share.

The Rights Issue is available only to the qualifying shareholders (shareholders whose names appear on the register of members of the Company on 9 May 2014 (the “Record Date”), other than the excluded shareholders) on the basis of the provisional allotment of one (1) Rights Share for every two (2) Shares in issue and held on the Record Date as may be agreed between the Company and Ms. Ma Zheng, the chairman of the Company (the “Underwriter”).

Ms. Ma Zheng, the Underwriter, holds in aggregate 243,675,162 Shares, representing approximately 50.46% of the issued share capital of the Company as at the date of this report. As at the announcement dated 11 April 2014, the Underwriter has irrevocably undertaken to the Company that:

- (1) the 243,675,162 Shares registered in the name of and beneficially owned by the Underwriter will remain registered in the name of and beneficially owned by the Underwriter before the date when the announcement of the results of the Rights Issue is published;
- (2) the Underwriter will accept her entitlements under the Rights Issue for an aggregate of 121,837,581 Rights Shares; and
- (3) the Underwriter will lodge the provisional allotment letter in respect of the Rights Shares referred to (2) above accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the prospectus (the “Prospectus”), provisional allotment letter and excess application form prior to the Latest Time for Acceptance.

Details are set out in the announcement dated 11 April 2014 and the Prospectus dated 12 May 2014 of the Company.

Financial review

Turnover was approximately HK\$10,376,000 for the three months ended 31 March 2014, which represented an increase of approximately 3% when compared with approximately HK\$10,054,000 in the corresponding period of last year. However, there is still much room for the turnover to improve. The Board would like to report such level of the turnover was mainly due to the unstable performance of the property market in the 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 PE pipes.

For the three months ended 31 March 2014, the unaudited loss before income tax was approximately HK\$9,615,000 (three months ended 31 March 2013: loss of approximately HK\$7,277,000). The loss attributable to owners of the Company was approximately HK\$9,615,000 (three months ended 31 March 2013: loss of approximately HK\$7,277,000). 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.

Liquidity and financial resources

As at 31 March 2014, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

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

As at 31 March 2014, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interest set out below is based on 482,880,984 ordinary shares in issue as at 31 March 2014.

Long position in the ordinary shares of HK\$0.0625 each in the Company as at 31 March 2014:

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		243,675,162	50.46%

Save as disclosed above, as at 31 March 2014, none of the directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION

On 8 May 2012, a new share option scheme (the “Share Option Scheme”) was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group’s operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any Director or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders.

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5

million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2014, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interest set out below is based on 482,880,984 ordinary shares in issue as at 31 March 2014.

Long position in the underlying shares or debentures of the Company as at 31 March 2014:

Name	Type of interests	Description of derivatives	Number of underlying shares can be converted	Approximate percentage of interests
Lehman Brothers (in liquidation)	Beneficial	Convertible Bonds in the principal amount of HK\$246,250,000	Nil <i>(Note)</i>	N/A

Note: The conversion rights attached to the Bonds have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 31 March 2014, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

During the period 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 Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the period 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. The Audit Committee has reviewed the Group’s unaudited results for the three months ended 31 March 2014 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group’s remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the period under review, the Remuneration Committee comprises 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.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the period under review, the Nomination Committee comprises 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the three months ended 31 March 2014. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the three months ended 31 March 2014.

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

Hong Kong, 13 May 2014

* *the English translations of Chinese names or words in this report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

As at the date of this report, the Board comprises Ms. MA Zheng, Mr. WONG Pui Yiu and Mr. PAN Feng 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.