

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

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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 was approximately HK\$39,834,000 for the three months ended 31 March 2011 (three months ended 31 March 2010: approximately HK\$38,156,000), representing an increase of approximately 4.4%.

Loss attributable to owners of the Company amounted to approximately HK\$6,619,000 (three months ended 31 March 2010: loss approximately HK\$10,181,000).

The Board do not recommend the payment of any interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: 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 2011 together with the comparative figures as follows. The consolidated first quarterly financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Three months ended 31 March | |
|--|--------------|--|-----------------|
| | | 2011 | 2010 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Continuing operations | | | |
| Turnover | 2 | 39,834 | 38,156 |
| Other income and gain | 3 | 74 | 30 |
| Cost of inventories sold | | (38,892) | (35,444) |
| Staff costs, including directors' remuneration | | (1,602) | (1,437) |
| Depreciation | | (1,251) | (726) |
| Amortisation of land use rights | | (182) | (175) |
| Other operating expenses | | (3,731) | (5,396) |
| Finance costs | 4 | (869) | (5,244) |
| Loss before income tax | 5(a) | (6,619) | (10,236) |
| Income tax credit | 6 | – | 541 |
| Loss for the period from continuing operations | | (6,619) | (9,695) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 5(b) | – | (942) |
| Loss for the period | | (6,619) | (10,637) |
| Loss attributable to: | | | |
| Owners of the Company | | (6,619) | (10,181) |
| Non-controlling interests | | – | (456) |
| | | (6,619) | (10,637) |
| Basic and diluted loss per share from continuing and discontinued operations | 8 | (0.27 cents) | (0.83 cents) |
| from continuing operations | 8 | (0.27 cents) | (0.79 cents) |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME**

| | Three months ended 31 March | |
|---|--|-----------------------|
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss for the period | <u>(6,619)</u> | <u>(10,637)</u> |
| Other comprehensive income: | | |
| Exchange differences on translation of foreign operations | <u>3,485</u> | <u>741</u> |
| Other comprehensive income for the period | <u>3,485</u> | <u>741</u> |
| Total comprehensive income for the period | <u>(3,134)</u> | <u>(9,896)</u> |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | <u>(3,134)</u> | <u>(9,520)</u> |
| Non-controlling interests | <u>-</u> | <u>(376)</u> |
| | <u>(3,134)</u> | <u>(9,896)</u> |

NOTES TO THE 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 ("PE") pipes that operates primarily in the markets of the People's Republic of China (the "PRC"). As set out in Note 5(b), the Group is in the process of disposing of the mining business to the holder of the Company's Convertible Bonds.

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

The condensed consolidated financial statements incorporated the financial statements of the Company and its principal subsidiaries for the period ended 31 March 2011. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The accounting policies adopted in the condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2011. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented.

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

2. TURNOVER

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

| | Three months ended 31 March | |
|------------------------------|--------------------------------|---------------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operations | | |
| Sale of PE/FRP pipes | 13,173 | 18,540 |
| Sale of composite materials | 26,661 | 19,616 |
| | <u>39,834</u> | <u>38,156</u> |

3. OTHER INCOME AND GAIN

| | Three months ended 31 March | |
|------------------------------|--------------------------------|-------------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operations | | |
| Bank interest income | 12 | 27 |
| Sundry income | 62 | 3 |
| | <u>74</u> | <u>30</u> |

4. FINANCE COSTS

| | Three months ended 31 March | |
|---|--|-----------------|
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Continuing operations | | |
| Interest expenses on bank borrowing wholly repayable within five years | 869 | 302 |
| Imputed interest expenses on convertible bonds maturing within five years | – | 4,942 |
| | <u>869</u> | <u>5,244</u> |

5. LOSS BEFORE INCOME TAX

(a) Continuing operations

| | Three months ended 31 March | |
|---|--|-----------------|
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss before income tax is arrived at after charging: | | |
| Minimum lease payments under operating lease charges in respect of land and buildings | 530 | 526 |
| Depreciation (<i>Note</i>) | 3,624 | 1,764 |
| Loss on disposal of property, plant and equipment | – | 2,397 |
| | <u>–</u> | <u>2,397</u> |

Note: The above depreciation charge included an amount of HK\$2,373,000 (three months ended 31 March 2010: HK\$1,038,000) charged to cost of inventories sold on the face of the unaudited condensed consolidated income statement.

(b) Discontinued operations

During 2010, 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 Polymetallic 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 period included in the unaudited condensed consolidated income statement are set out below:

| | Three months ended 31 March | |
|---|--|--------------------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period from discontinued operations: | | |
| Amortisation of mining rights | – | (2,025) |
| Imputed interest on convertible preferred shares | – | (1,191) |
| | <hr/> | <hr/> |
| Loss before income tax | – | (3,216) |
| Income tax credit | – | 2,274 |
| | <hr/> | <hr/> |
| Loss for the period from discontinued operations | – | (942) |
| | <hr/><hr/> | <hr/><hr/> |

6. INCOME TAX

Income tax credit in the unaudited condensed consolidated income statement represents:

| Three months ended 31 March | |
|--|-----------------|
| 2011 | 2010 |
| <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Unaudited) | (Unaudited) |

Continuing operations

Deferred taxation

- attributable to the origination and reversal
of temporary differences, net

| | |
|-------------------|-------------------|
| - | 541 |
| <u> </u> | <u> </u> |

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 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 periods.

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

8. 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:

| | Three months ended 31 March | |
|---|--|-------------------------|
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss: | | |
| Loss for the purposes of basic and diluted loss per share | 6,619 | 10,181 |
| | <u><u>6,619</u></u> | <u><u>10,181</u></u> |
| | Three months ended 31 March | |
| | 2011 | 2010 |
| | <i>'000</i> | <i>'000</i> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 2,414,405 | 1,229,603 |
| | <u><u>2,414,405</u></u> | <u><u>1,229,603</u></u> |

From continuing operations

| | Three months ended 31 March | |
|---|--|---------------------|
| | 2011 | 2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss: | | |
| Loss for the period attributable to owners of the Company | 6,619 | 10,181 |
| Less: Loss for the period from discontinued operations | — | (486) |
| | <hr/> | <hr/> |
| Loss for the purposes of basic and diluted loss per share from continuing operations | <u>6,619</u> | <u>9,695</u> |

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 discontinued operations is HK cents nil per share (three months ended 31 March 2010: loss of HK cents 0.04 per share), based on the loss for the period from the discontinued operations of HK\$nil (three months ended 31 March 2010: HK\$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, 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 three months ended 31 March 2011 and 2010 are the same.

**10. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY**

| | Equity attributable to owners of the Company | | | | | | | | | |
|----------------------------|--|-----------------------------|---------------------------------|-------------------------------------|---------------------------------|--------------------------------|------------------------------------|-----------------------|----------------------------------|-----------------|
| | Share capital | Share premium account | Convertible bonds reserve | Employee compensation reserve | Statutory surplus reserve | Convertible | | | Non- controlling interests | Total equity |
| | | | | | | preferred shares reserve | Exchange translation reserve | Accumulated losses | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Balance at 1 January 2010 | 15,370 | 365,726 | 17,922 | 38,031 | 5,110 | 753,639 | 188,018 | (1,008,890) | 33,257 | 408,183 |
| Loss for the period | - | - | - | - | - | - | - | (10,181) | (456) | (10,637) |
| Other comprehensive income | - | - | - | - | - | - | 661 | - | 80 | 741 |
| Total comprehensive income | - | - | - | - | - | - | 661 | (10,181) | (376) | (9,896) |
| Balance at 31 March 2010 | 15,370 | 365,726 | 17,922 | 38,031 | 5,110 | 753,639 | 188,679 | (1,019,071) | 32,881 | 398,287 |
| 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 period | - | - | - | - | - | - | - | (6,619) | - | (6,619) |
| Other comprehensive income | - | - | - | - | - | - | 3,485 | - | - | 3,485 |
| Total comprehensive income | - | - | - | - | - | - | 3,485 | (6,619) | - | (3,134) |
| Balance at 31 March 2011 | 30,180 | 443,564 | 17,922 | 33,618 | 5,110 | - | 56,612 | (234,033) | 33,905 | 386,878 |

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

After the financial tsunami in 2008, the global economy rebounded quickly in late 2009 and continued to grow in 2010. Most corporations started to be benefited from the economic growth in 2010. The ordinary business of the Group during the period under review was performing better when compared to same period in 2010. Most importantly, the Company has reached settlement on the convertible bonds issue with Lehman Brothers Commercial Corporation Asia Limited (“Lehman Brothers”) 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 2011, the Directors believes that the Group will perform much better in the near future.

The business segment of the Polyethylene Pipes (“PE Pipes”) was performing well and was the main business of the Group during the period under review. Fibre Glass Reinforced Plastic Pipes have been replaced by the PE Pipes. From 2011 onwards, PE Pipes became the main products of the Group. This business segment has been the core business of the Group for many years. The PE Pipes are products employed for constructions and city development in the People’s Republic of China (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.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, 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 (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 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 report, 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.

Financial review

Turnover was approximately HK\$39,834,000 for the period under review, which represented an increase of 4.4% when compared with approximately HK\$38,156,000 in the corresponding period. Such slight increase in sale was mainly due to the stable operation of the core business segment of the Group. The unaudited loss before income tax from continuing operations for the period under review was approximately HK\$6,619,000 while it was approximately HK\$10,236,000 in the corresponding period. The loss attributable to owners of the Company was approximately HK\$6,619,000 (three months ended 31 March 2010: loss of approximately HK\$10,181,000). 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.

Liquidity and financial resources

With the funds raised previously and the internal resources of the Company and according to the Deed of Settlement, as at 31 March 2011, the Directors anticipate that the Group has adequate financial resources to meet its ongoing operations and future development.

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

As at 31 March 2011, 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 2,414,404,920 ordinary shares in issue as at 31 March 2011, not on the total number of issued shares upon exercise of the 75,080,162 (adjusted) outstanding share options granted under the share option scheme adopted by the Company on 28 November 2001.

- (i) *Long position in the ordinary shares of HK\$0.0125 each in the Company as at 31 March 2011:*

| Name of Director | Type of interests | Number of ordinary shares held | | Approximate percentage of interests |
|------------------|------------------------|--------------------------------|---------------------------|-------------------------------------|
| | | | Number of ordinary shares | |
| Ms. Ma Zheng | Beneficial (Note 1) | | 12,150,000 (Note 2) | 0.50% |

Notes:

1. In addition to 12,150,000 shares held in her own name, Ms. Ma Zheng is holding 12.5% of the equity interest of Future Advance Holdings Limited (“Future Advance”) and Future Advance beneficially owned 11.91% of the equity interest of the Company. For information purpose, Ms. Ma Zheng is an executive director of the Company and the sole director of Future Advance.
2. Ms. Ma Zheng was interested in 8,100,000 shares and 2,512,000 share options under the share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules immediately before the completion of the Open Offer. Ms. Ma Zheng subscribed for 4,050,000 Offer Shares under the Open Offer.

(ii) *Long position in the underlying shares or debentures of the Company as at 31 March 2011:*

| Name of Directors | Type of interests | Description of securities | Number of underlying shares | Approximate percentage of interests |
|----------------------------|-------------------|---------------------------------|-----------------------------|-------------------------------------|
| Ms. Ma Zheng | Beneficial | Share Option <i>(Note 1)</i> | 2,898,848 | 0.12% |
| Mr. Wan Tze Fan Terence | Beneficial | Share Option <i>(Note 2)</i> | 434,827 | 0.02% |
| Mr. Liu Weichang | Beneficial | Share Option <i>(Note 3)</i> | 434,827 | 0.02% |

Notes:

1. On 8 January 2008, Ms. Ma Zheng, the sole director of Future Advance and an executive Director, had been granted 20,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 20,000,000 new Shares at the then exercise price of HK\$0.22 per new Shares. After the completion of the rights issue and the share consolidation on 20 August 2009 and the subscription and the open offer on 12 November 2010, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 2,898,848 and HK\$1.5182 per new Share respectively.

2. On 8 January 2008, Mr. Wan Tze Fan Terence, an independent non-executive Director, had also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the then exercise price of HK\$0.22 per new Shares. After the completion of the rights issue and the share consolidation on 20 August 2009 and the subscription and the open offer on 12 November 2010, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 434,827 and HK\$1.5182 per new Share respectively.

3. On 8 January 2008, Mr. Liu Weichang, an independent non-executive Director, had also been granted 3,000,000 share options under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 3,000,000 new Shares at the then exercise price of HK\$0.22 per new Shares. After the completion of the rights issue and the share consolidation on 20 August 2009 and the subscription and the open offer on 12 November 2010, the right to subscribe for new Shares and the subscription price of the share options have been adjusted to 434,827 and HK\$1.5182 per new Share respectively.

Save as disclosed above, as at 31 March 2011, none of the directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION

On 17 March 2004, the Company forfeited all the outstanding share options granted from a Pre-IPO share option scheme (the “Pre-Scheme”) adopted by the Company on 28 November 2001, and that all outstanding share options granted from the Pre-Scheme were cancelled and extinguished. Further details are set out in the announcement dated 17 March 2004. As at 31 March 2011, there were no share options outstanding under the Pre-Scheme.

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

The Post-Scheme was amended and adopted by the shareholders at the annual general meeting of the Company held on 16 April 2003. The amendment involved the extension of the definition of eligible person in the Post-Scheme to include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group.

As at 31 March 2011, the Company had granted share options under the Post-Scheme to subscribe for 857,000,000 shares, of which 176,000,000 options were exercised, no options were cancelled, 95,000,000 options (before the completion of the subscription and the open offer on 12 November 2010) and 9,856,083 options were lapsed and 75,080,162 options (the number has been adjusted on 12 November 2010) remain outstanding and not yet exercised. The total number of shares in respect of which options may be granted under the Post-Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Post-Scheme, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company’s shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares on the Commencement Date (as defined in the Post-Scheme), which must be a trading day, (ii) the average of the quoted closing price of the Company's shares for the five trading days immediately preceding the Commencement Date (as defined in the Post-Scheme), and (iii) the nominal value of the Company's share. Any options granted under the Post-Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Post-Scheme). A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

Details of the share options granted by the Company pursuant to the Post-Scheme and the options outstanding as at 31 March 2011 were as follows:

| Grantees | Date granted | Balance | Granted during the period | Exercised during the period | Lapsed during the period | Balance | Period during which the options are exercisable | Exercise price per share |
|---------------------------------------|----------------|----------------------|---------------------------|-----------------------------|--------------------------|---------------------|---|--------------------------|
| | | as at 1 January 2011 | | | | as at 31 March 2011 | | |
| Ms. Ma Zheng (Director) | 8 January 2008 | 2,898,848 | - | - | - | 2,898,848 | 8 July 2008 to 27 November 2011 | HK\$1.5182 |
| Mr. Wan Tze Fan Terence (Director) | 8 January 2008 | 434,827 | - | - | - | 434,827 | 8 July 2008 to 27 November 2011 | HK\$1.5182 |
| Mr. Liu Weichang (Director) | 8 January 2008 | 434,827 | - | - | - | 434,827 | 8 July 2008 to 27 November 2011 | HK\$1.5182 |
| Employees | 8 January 2008 | 71,311,660 | - | - | - | 71,311,660 | 8 July 2008 to 27 November 2011 | HK\$1.5182 |
| | | <u>75,080,162</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,080,162</u> | | |

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 2011, 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 2,414,404,920 ordinary shares in issue as at 31 March 2011, not on the total number of issued shares upon exercise of the 75,080,162 (adjusted) outstanding share options granted under the share option scheme adopted by the Company on 28 November 2001.

(i) *Long position in the ordinary shares of HK\$0.0125 each in the Company as at 31 March 2011:*

| Name of shareholders | Type of interests | Number of the shares held | Approximate percentage of interests |
|--|-------------------------------|---------------------------|-------------------------------------|
| Future Advance Holdings Limited | Beneficial | 287,619,446 | 11.91% |
| China Zong Heng Holdings Limited | Corporate <i>(Note 1)</i> | 287,619,446 | 11.91% |
| Mr. Yu Hongzhi | Corporate <i>(Note 1)</i> | 287,619,446 | 11.91% |
| | Beneficial | 929,527,503 | 38.50% |
| | Subtotal: | 1,217,146,949 | 50.41% |
| APAC Resources Limited | Corporate | 129,436,878 | 5.36% |
| Super Grand Investments Limited ("Super Grand") | Beneficial <i>(Note 2)</i> | 129,436,878 | 5.36% |

Notes:

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

(ii) *Long position in the underlying shares or debentures of the Company as at 31 March 2011:*

| 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 (Note) | N/A |

Note: Upon a literal interpretation of the terms of the Convertible Bonds and the Deed of Settlement, the conversion rights attached to the Convertible Bonds shall have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 31 March 2011, the directors are not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

COMPETITION AND CONFLICT OF INTERESTS

Mr. Yu Hongzhi, a substantial shareholder of the Company and a director of the Company's subsidiary, Yichang Fulianjiang Joint Composite Limited, was 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. As at 31 March 2011, Mr. Yu Hongzhi was no longer the director and legal representative of Yichang HongXun. Mr. Yu Hongzhi was not a substantial shareholder of Yichang HongXun during the period 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 audit committee comprises three members, Mr. Wan Tze Fan Terence ("Mr. Wan"), Mr. Liu Weichang ("Mr. Liu") and Mr. Chung Chin Keung ("Mr. Chung") who are the independent non-executive Directors of the Company. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group. The audit committee has reviewed the Group's unaudited results for the three months ended 31 March 2011 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 1 June 2005. The function of the remuneration committee is to consider and recommend to the Board on the Group's remuneration policy and structure for all remuneration of executive directors and senior management and to review and determine the remuneration packages of the executive directors and senior management. The remuneration committee comprises three members, Mr. Wan, Mr. Liu and Mr. Chung who are the independent non-executive Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the period ended 31 March 2011. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the period ended 31 March 2011.

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

Hong Kong, 9 May 2011

As at the date of this report, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, and Mr. WAN Tze Fan Terence, Mr. LIU Weichang and Mr. CHUNG Chin Keung who are the independent non-executive Directors.