

2013 Interim Report



中國基礎資源控股有限公司
China Primary Resources Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)

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

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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 six months ended 30 June 2013 was approximately HK\$15,877,000 (six months ended 30 June 2012: approximately HK\$16,853,000), representing a decrease of approximately 6% from the corresponding period of last year.

Loss attributable to owners of the Company amounted to approximately HK\$14,843,000 (six months ended 30 June 2012: loss of approximately HK\$9,562,000).

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 six months ended 30 June 2013 together with the comparative figures as follows. The consolidated interim 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 COMPREHENSIVE INCOME

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	5,823	9,280	15,877	16,853
Other income and gains and losses	3	237	(141)	521	5,138
Cost of sales		(6,415)	(10,374)	(16,741)	(19,290)
Staff costs, including directors' remuneration		(2,034)	(2,192)	(4,342)	(4,187)
Depreciation		(1,245)	(1,221)	(2,467)	(2,367)
Amortisation of land use rights		(196)	(186)	(388)	(375)
Other operating expenses		(3,734)	(2,575)	(7,297)	(5,308)
Finance costs	4	(2)	(26)	(6)	(26)
Loss before income tax	5	(7,566)	(7,435)	(14,843)	(9,562)
Income tax	6	-	-	-	-
Loss for the period		(7,566)	(7,435)	(14,843)	(9,562)
Other comprehensive income:					
Exchange differences on translation of foreign operations		2,823	(3,521)	4,283	(3,153)
Other comprehensive income for the period		2,823	(3,521)	4,283	(3,153)
Total comprehensive income for the period		(4,743)	(10,956)	(10,560)	(12,715)
Loss attributable to:					
Owners of the Company		(7,566)	(7,435)	(14,843)	(9,562)
Non-controlling interests		-	-	-	-
		(7,566)	(7,435)	(14,843)	(9,562)
Total comprehensive income attributable to:					
Owners of the Company		(4,743)	(10,956)	(10,560)	(12,715)
Non-controlling interests		-	-	-	-
		(4,743)	(10,956)	(10,560)	(12,715)
Basic and diluted loss per share	8	(0.31 cents)	(0.31 cents)	(0.61 cents)	(0.40 cents)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

		30 June 2013	31 December 2012
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		118,722	123,250
Land use rights		31,694	31,575
Interests in associates		6,066	–
Available-for-sale investments		9,230	36,398
		<hr/>	<hr/>
Total non-current assets		165,712	191,223
		<hr/>	<hr/>
Current assets			
Inventories		34,976	35,147
Trade receivables	<i>11</i>	39,812	30,891
Other receivables, deposits and prepayments		116,532	108,264
Investments held for trading		2,560	1,941
Cash and cash equivalents		2,062	7,111
		<hr/>	<hr/>
Assets classified as held for sale	<i>10</i>	195,942	183,354
		207,612	207,612
		<hr/>	<hr/>
Total current assets		403,554	390,966
		<hr/>	<hr/>
Total assets		569,266	582,189
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>12</i>	8,709	9,770
Other payables and accruals		11,216	11,951
Customers' deposit		134	1,004
Convertible bonds	<i>13</i>	246,250	246,250
Other borrowing		303	–
		<hr/>	<hr/>
Liabilities associated with assets classified as held for sale	<i>10</i>	266,612	268,975
		29,510	29,510
		<hr/>	<hr/>
Total current liabilities		296,122	298,485
		<hr/>	<hr/>
Net current assets		107,432	92,481
		<hr/>	<hr/>
Total assets less current liabilities		273,144	283,704
		<hr/>	<hr/>

		30 June 2013	31 December 2012
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Total liabilities		296,122	298,485
NET ASSETS		273,144	283,704
Equity			
Share capital	<i>14</i>	30,180	30,180
Reserves		209,059	219,619
Equity attributable to owners of the Company		239,239	249,799
Non-controlling interests		33,905	33,905
TOTAL EQUITY		273,144	283,704

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	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Balance at 1 January 2012	30,180	443,564	17,922	5,110	-	70,286	(244,790)	33,905	356,177
Loss for the period	-	-	-	-	-	-	(9,562)	-	(9,562)
Other comprehensive income	-	-	-	-	-	(3,153)	-	-	(3,153)
Total comprehensive income	-	-	-	-	-	(3,153)	(9,562)	-	(12,715)
Balance at 30 June 2012	30,180	443,564	17,922	5,110	-	67,133	(254,352)	33,905	343,462

	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	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
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	-	-	-	-	-	-	(14,843)	-	(14,843)
Other comprehensive income	-	-	-	-	-	4,283	-	-	4,283
Total comprehensive income	-	-	-	-	-	4,283	(14,843)	-	(10,560)
Balance at 30 June 2013	30,180	443,564	17,922	5,110	784	77,862	(336,183)	33,905	273,144

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**

	Six months ended 30 June 2013 <i>HK\$'000</i>	Six months ended 30 June 2012 <i>HK\$'000</i>
Net cash used in operating activities	(26,870)	(27,942)
Net cash generated from/(used in) investing activities	21,728	(1,863)
Net cash (used in)/generated from financing activities	(6)	1,805
Net decrease in cash and cash equivalents	(5,148)	(28,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,112	31,540
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	99	(282)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,063</u>	<u>3,258</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>2,063</u>	<u>3,258</u>

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") that operates primarily in the markets of the People's Republic of China (the "PRC"). The Group is in the process of disposing of the mining business to the holder of the Convertible Bonds (as defined below).

The unaudited 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 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 results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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 2013. 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.

2. TURNOVER

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

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of PE pipes	5,823	9,280	15,877	16,846
Sales of composite materials	–	–	–	7
	<u>5,823</u>	<u>9,280</u>	<u>15,877</u>	<u>16,853</u>

3. OTHER INCOME AND GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Bank interest income	6	12	11	35
Gain/(loss) on disposal of investments held for trading	(94)	977	262	4,134
Investment income from unlisted investment funds	454	–	494	–
Fair value (loss)/gain on investments held for trading	(129)	(1,130)	(246)	967
Sundry income	–	–	–	2
	<u>237</u>	<u>(141)</u>	<u>521</u>	<u>5,138</u>

4. FINANCE COSTS

Three months ended 30 June		Six months ended 30 June	
2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Interest expenses on other borrowing	2	26	6	26
	<u>2</u>	<u>26</u>	<u>6</u>	<u>26</u>

5. LOSS BEFORE INCOME TAX

Three months ended 30 June		Six months ended 30 June	
2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss before income tax is arrived after charging: Minimum lease payments under operating lease charges in respect of land and buildings	268	222	510	432
Depreciation (<i>Note</i>)	3,471	3,272	6,866	6,519
	<u>3,471</u>	<u>3,272</u>	<u>6,866</u>	<u>6,519</u>

Note: Depreciation charge included amount of HK\$1,492,000 and HK\$3,665,000 respectively for the three months and six months ended 30 June 2013 (three months and six months ended 30 June 2012: HK\$2,051,000 and HK\$4,152,000 respectively) recognised as cost of sales for the periods under review.

6. INCOME TAX

Income tax in the unaudited condensed consolidated statement of comprehensive income represents:

Three months ended 30 June		Six months ended 30 June	
2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Income tax for the period	-	-	-	-
	<u> </u>	<u> </u>	<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 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 periods under review.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 30 June		Six months ended 30 June	
2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss:

Loss for the purposes
of basic and diluted
loss per share

7,566	7,435	14,843	9,562
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Three months ended 30 June		Six months ended 30 June	
2013	2012	2013	2012
'000	'000	'000	'000
2,414,405	2,414,405	2,414,405	2,414,405

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	2,414,405	2,414,405
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Diluted loss per share for the three months and six months ended 30 June 2013 and 2012 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue for periods under review.

9. SEGMENT REPORTING

Business segment**For the six months ended 30 June 2013**

	Manufacture and sale of PE pipes HK\$'000 (Unaudited)	Sale of composite materials HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	<u>15,877</u>	<u>–</u>	<u>15,877</u>
Reportable segment loss	<u>(8,857)</u>	<u>–</u>	<u>(8,857)</u>
Reportable segment assets	<u>219,031</u>	<u>–</u>	<u>219,031</u>
Reportable segment liabilities	<u>(9,941)</u>	<u>–</u>	<u>(9,941)</u>
Other segment information:			
Interest income			11
Investment income from unlisted investment fund			494
Gain on disposal of investments held for trading			262
Fair value loss on investments held for trading			(246)
Finance costs			6
Depreciation	6,498	–	6,498
Unallocated depreciation			<u>368</u>
Total depreciation			<u>6,866</u>
Amortisation of land use rights	388	–	388
Additions to non-current assets	373	–	373
Unallocated additions to non-current assets			<u>4</u>
Total additions to non-current assets			<u>377</u>

For the six months ended 30 June 2012

	Manufacture and sale of PE pipes <i>HK\$'000</i> (Unaudited)	Sale of composite materials <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	16,846	7	16,853
Reportable segment loss	(8,604)	(161)	(8,765)
Reportable segment assets	308,670	28,616	337,286
Reportable segment liabilities	(16,066)	–	(16,066)
Other segment information:			
Interest income			(35)
Finance costs			(26)
Depreciation	(6,219)	(1)	(6,220)
Unallocated depreciation			(299)
Total depreciation			(6,519)
Amortisation of land use rights	(375)	–	(375)
Additions to non-current assets	698	–	698
Unallocated additions to non-current assets			3,565
Total additions to non-current assets			4,263

10. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Following the approval of the Deed of Settlement (as defined below), the mining rights held by Zhong Ping (as defined below) group are being disposed of to the holder of the Convertible Bonds (as defined below). Accordingly, the following assets and liabilities of Zhong Ping Group relating to the mining operations have been classified as held for sale in the consolidated statement of financial position.

	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mining rights	207,519	207,519
Cash and cash equivalents	1	1
Other receivables	92	92
	<hr/>	<hr/>
Assets related to the mining business classified as held for sale	207,612	207,612
	<hr/>	<hr/>
Other payables	255	255
Deferred tax liabilities	29,255	29,255
	<hr/>	<hr/>
Liabilities of the mining business associated with assets classified as held for sale	29,510	29,510
	<hr/>	<hr/>
Net assets of the mining business classified as held for sale	178,102	178,102
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE RECEIVABLES

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	63,243	53,951
Less: Provision for impairment	(23,431)	(23,060)
	39,812	30,891

- (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 period:

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
At beginning of the period/year	23,060	3,293
Impairment loss recognised	–	23,060
Bad debts written off	–	(3,293)
Exchange difference	371	–
At end of the period/year	23,431	23,060

At 31 December 2012, the Group's trade receivables of HK\$23,060,000 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.

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

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	5,352	4,823
31 – 60 days	1,033	1,744
61 – 90 days	2,901	2,564
Over 90 days	30,526	21,760
	<u>39,812</u>	<u>30,891</u>
	39,812	30,891

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

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Not past due	10,517	9,066
Less than 31 days past due	3,075	2,179
31 – 60 days past due	707	1,176
61 – 90 days past due	4,605	708
Over 90 days but less than 1 year past due	7,654	16,161
Over 1 year but less than 2 years past due	13,254	1,601
	<u>29,295</u>	<u>21,825</u>
	39,812	30,891

12. TRADE PAYABLES

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 30 days	–	970
31 – 60 days	891	66
61 – 90 days	217	211
Over 90 days	7,601	8,523
	<hr/>	<hr/>
	8,709	9,770
	<hr/> <hr/>	<hr/> <hr/>

13. CONVERTIBLE BONDS

The Company's outstanding Convertible Bonds as at 30 June 2013 and 31 December 2012 are as follows:

The Convertible Bonds were issued to Lehman Brothers on 31 October 2007 with a nominal value of HK\$246,250,000 and matured on 31 October 2010. No conversion had taken place since the Convertible Bonds were issued.

Coupon interest of 4.5% per annum was payable semi-annually in arrears up to 31 October 2010. The effective interest of the Convertible Bonds was determined at 9.11% per annum using the effective interest method. The carrying values of the Convertible Bonds as at 30 June 2013 and 31 December 2012 were HK\$246,250,000.

In 2008, Lehman Brothers was put into liquidation process of which is still in progress as of the date of approval of these financial statements. The Company has entered into a Deed of Settlement with Lehman Brothers for the settlement of the Convertible Bonds.

The fair value of the liability component of the Convertible Bonds was calculated using the market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, was included in equity.

The Convertible Bonds recognised in the statement of financial position are calculated as follows:

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Nominal value of convertible bonds	246,250	246,250
Equity component	(22,164)	(22,164)
Direct transaction costs attributable to the liability component	(7,087)	(7,087)
	<hr/>	<hr/>
Liability component on initial recognition	216,999	216,999
Accumulated interest expenses recognised	62,525	62,525
Accumulated interest paid	(24,040)	(24,040)
Accumulated accrued interest expenses	(9,234)	(9,234)
	<hr/>	<hr/>
Liability component	246,250	246,250
Less: current portion	(246,250)	(246,250)
	<hr/>	<hr/>
Non-current portion	–	–
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14. SHARE CAPITAL

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
<i>Authorised:</i>		
9,600,000,000 ordinary shares of HK\$0.0125 each	120,000	120,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
2,414,404,920 ordinary shares of HK\$0.0125 each	30,180	30,180
	<hr/> <hr/>	<hr/> <hr/>

15. OPERATING LEASE ARRANGEMENTS**The Group**

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases typically run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	995	932
After one year but within five years	1,875	2,373
	2,870	3,305

16. CAPITAL COMMITMENTS**The Group**

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Purchase of property, plant and equipment contracted but not provided for	-	-

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and future outlook

Turnover of the Group for the six months ended 30 June 2013 was slightly decreased when compared to the corresponding period in 2012. 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 global economic condition and the slow down of the development 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 (the "PE pipes").

The effect of the change of major shareholders in 2011 was still affecting the customer portfolio of the Group in 2013 but is coming to the end. 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 third quarter of 2013 and thereafter.

As mentioned above, due to relative low turnover, relatively high fixed production costs and customer strengthening actions in the first half of the current financial year, the gross margin was not meeting target. However, with the anticipated higher turnover under improved customer portfolio, gross margin will definitely improve in the third quarter of 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 2013. The PE pipes are materials employed for construction and city development in the PRC. The Group's 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 the Group's products are both sustainable and look set to increase.

On 18 January 2013, the Group made capital contribution of RMB4,800,000 to a newly established company in the PRC with a registered capital of RMB12,000,000. This company will engage in agricultural and related business and the Group holds a 40% equity interest in this company.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

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 report, 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 eight extension letters on 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012 and 27 June 2013 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, 30 June 2013 and 30 September 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, 27 December 2012 and 27 June 2013 and the circular dated 11 October 2010 of the Company.

Financial review

Turnover was approximately HK\$15,877,000 for the six months ended 30 June 2013, which represented a decrease of approximately 6% when compared with approximately HK\$16,853,000 in the corresponding period of last year. Turnover of the Group during the period under review was slightly decreased when compared to the corresponding period of last year. However, there is still much room for the turnover to improve. The Board believes such level of 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.

For the six months ended 30 June 2013, the unaudited loss before income tax was approximately HK\$14,843,000 (six months ended 30 June 2012: loss of approximately HK\$9,562,000). The loss attributable to owners of the Company was approximately HK\$14,843,000 (six months ended 30 June 2012: loss of approximately HK\$9,562,000). 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 (the "Shareholders").

Share Consolidation

The consolidation of every five shares of HK\$0.0125 each in the issued and unissued share capital of the Company (the "Consolidated Shares") into one consolidated share of HK\$0.0625 each in the issued and unissued share capital of the Company (the "Share Consolidation") was duly passed by the Shareholders by way of poll at the extraordinary general meeting held on 4 July 2013 and was come into effect on 5 July 2013.

The authorised ordinary share capital of the Company remain at HK\$120,000,000 divided into 1,920,000,000 Consolidated Shares of HK\$0.0625 each following the Share Consolidation.

The Share Consolidation increases the nominal value of the shares of the Company (the "Shares") and reduces the total number of Shares. Save for the necessary professional expenses and printing charges for the implementation of the Share Consolidation, the implementation of the Share Consolidation was not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders. Details of the Share Consolidation are set out in the announcement and circular of the Company dated 31 May 2013 and 14 June 2013 respectively.

Liquidity and financial resources

As at 30 June 2013, the Directors anticipated that the Group has adequate financial resources to meet its ongoing operations and future development.

Employee information

As at 30 June 2013, the Group has 5 full-time employees working in Hong Kong and 89 full-time employees working in the PRC respectively. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2013 amounted to approximately HK\$5,147,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Capital structure

The ordinary shares of the Company were listed on the GEM of the Stock Exchange on 13 December 2001. There has been no change in the capital structure of the Company during the period under review.

Significant investments

Save as disclosed above, for the period under review, the Group had no other significant investments.

**Material acquisition and disposal of subsidiaries and affiliated companies/
future plans for material investments**

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2013.

Segment information

Details have been set out in note 9 under “Notes to the unaudited condensed consolidated financial statements” and further elaborated under “Business review and future outlook” of this section.

Charge on group assets and contingent liabilities

During the period under review, the Group did not have any significant contingent liabilities and no assets of the Group were pledged (six months ended 30 June 2012: Nil).

Gearing ratio

As at 30 June 2013, current assets of the Group amounted to approximately HK\$403,554,000 which included cash of approximately HK\$653,000 and RMB1,115,000 and assets classified as held for sale of HK\$207,612,000 while current liabilities stood at approximately HK\$296,122,000 which included the 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\$239,239,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 102% (the Convertible Bonds less cash balances to equity attributable to owners of the Company) as of 30 June 2013.

Exposure to fluctuations in exchange rates

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). No hedging or other alternatives have been implemented. As the exchange of Hong Kong dollars against RMB were relatively stable during the period under review, the Group's exposure to currency exchange risk was minimal.

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

As at 30 June 2013, 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 30 June 2013.

Long position in the ordinary shares of HK\$0.0125 each in the Company as at 30 June 2013:

Name of Director	Type of interests	Number of ordinary shares held		Approximate percentage of interests
			Number of ordinary shares	
Ms. Ma Zheng	Beneficial		1,218,375,814	50.46%
			(Note)	

Note: As a result of the Share Consolidation effective on 5 July 2013, the number of ordinary shares held by Ms. Ma Zheng was 243,675,162 shares of HK\$0.0625 each (50.46%).

Save as disclosed above, as at 30 June 2013, 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 28 November 2001, a share option scheme (the “Scheme”) was approved by the Company. The Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The Scheme expired on 27 November 2011.

A new share option scheme (the “New Share Option Scheme”) was adopted by the shareholders of the Company on 8 May 2012. The purpose of the New 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 New Share Option 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 New Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The New Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The New 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 New 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 New 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 New 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. 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.

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). 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 New 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 New Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the New 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 30 June 2013, 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 30 June 2013.

Long position in the underlying shares or debentures of the Company as at 30 June 2013:

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 Convertible Bonds have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 30 June 2013, 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 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 and six months ended 30 June 2013 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 all remuneration of 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 six months ended 30 June 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s ordinary shares during the six months ended 30 June 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2013 save for the followings.

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.

During the period under review, the Group still did not have an officer with the title of “Chief Executive” (the “CE”). The Code envisages that the management of the Board should rest on the Chairman, whereas the day-to-day management of the Company’s business should rest on the CE. Ms. Ma Zheng, the Chairman, is also the director of the Company’s production plant in Yichang City. This constitutes a deviation of Code Provision A.2.1. The Board still 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 the 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 non-executive Directors should be appointed for a specific term, subject to re-election.

During the period 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 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.

***CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS
BY DIRECTORS***

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2013.

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

Hong Kong, 8 August 2013

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