THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in **China Primary Resources Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

PRIMARY RESOURCES

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)

(I) SUPPLEMENTAL DEED TO THE ORIGINAL DEED OF SETTLEMENT IN RELATION TO THE REDEMPTION OF BONDS OF THE COMPANY AND VERY SUBSTANTIAL DISPOSAL OF A SUBSIDIARY; AND (II) NOTICE OF EGM

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM of the Company to be held at Suite 1415, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 28 March 2014 at 11:30 a.m. is set out on pages N – 1 to N – 2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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

12 March 2014

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

CONTENTS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Amended Deed of Settlement"	the Original Deed of Settlement as varied and amended by the Supplemental Deed upon the Effective Date
"Announcement"	the announcement of the Company dated 15 January 2014 in relation to, among other things, the Amended Deed of Settlement
"ARIA"	ARIA LLC, a company incorporated in Mongolia with limited liability
"ARIA Transfer"	the transfer of the 70% equity interest in ARIA to Lehman Brothers or other third party in accordance with the terms of the Original Deed of Settlement
"associates"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Bondholder"	the holder of the Bonds, being Lehman Brothers for the time being
"Bonds"	the then 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
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	China Primary Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules

"Deposit"	a non-refundable deposit for entering into of the Supplemental Deed in an amount equal to the Third Payment Amount
"Designated ARIA Breach"	Any actual or alleged breach or violation of: (a) the mining licence #10278A issued to ARIA; (b) the Charter of ARIA; or (c) any other agreement, document or instrument to which ARIA is a party, in each case arising after 17 September 2010 as a result of any failure by ARIA to take any action required to be taken by it therein with regard to (i) its minerals exploration, mining, processing and sales activities, (ii) its foreign and domestic trade activities, (iii) its investment management activities, (iv) any change of government policy or (v) any matters that are the subject of any claims by Minority Shareholder and are stipulated under the Company Law of Mongolia (including to failure to submit financial statements at the annual shareholders meeting and failure to maintain the accuracy of the accounting books and financial records), to the extent such failure is caused by a Designated Zhong Ping Breach
"Designated Zhong Ping Breach"	any actual or alleged breach or violation of: (a) the Charter of ARIA; or (b) the joint venture agreement dated on or about 20 January 2006 between Zhong Ping and the Minority Shareholder, in each case arising after 17 September 2010 as a result of any failure by Zhong Ping to take any action required to be taken by it therein as a shareholder of ARIA
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on 28 March 2014 for the purpose of considering, and if thought fit, approving the Supplemental Deed (with the Transfer)

"Fourth Payment Amount"	means the amount in HK$ that is equal to the HK$ equivalent of RMB24,000,000 with such HK$ equivalent calculated using the prevailing exchange rate provided by a licensed bank in Hong Kong on the Business Day preceding the date of making such payment
"FRP Pipes"	Fibre Glass Reinforced Plastic Pipes
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	10 March 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Lehman Brothers"	Lehman Brothers Commercial Corporation Asia Limited (in liquidation), a company incorporated in Hong Kong which has been put into liquidation and joint and several liquidators have been appointed therefor
"Lender"	Excel Sino Investments Limited (卓華投資有限公司), a company incorporated in the British Virgin Islands with limited liability, the lender of the Loan Agreement
"Liquidators"	the joint and several liquidators of Lehman Brothers appointed by the order of the Court of First Instance of Hong Kong
"Loan"	a loan facility up to HK$38 million granted by the Lender to the Company pursuant to the Loan Agreement
"Loan Agreement"	the loan agreement dated 15 January 2014 and entered into between the Company as borrower and the Lender as lender
"Long-stop Date"	30 April 2014 or such later date as may be agreed between the Bondholder and the Company (each of whom shall not unreasonably refuse to agree to an extension of such date)

"Material Adverse Change"	in the sole and absolute opinion of the Bondholder, a material adverse change on: (a) the business, operations, assets, prospects or financial condition of the Sale Interest; (b) the ability of the Company to perform its payment or any other material obligations under the Amended Deed of Settlement; or (c) the validity or enforceability of the Amended Deed of Settlement
"Minority Shareholder"	Selenge Mining LLC, a company organized and existing under the laws of Mongolia
"Ms. Ma"	Ms. Ma Zheng, the chairman and executive Director
"Original Deed of Settlement"	the original agreement dated 17 September 2010 signed among, the Company, the Liquidators and Lehman Brothers in relation to the redemption of the Bonds
"PE Pipes"	Polyethylene Pipes
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Preferred Shares"	the non-voting redeemable convertible preferred shares of HK$0.00125 each in the then share capital of the Company carrying rights to convert into Share(s)
"Registrar"	Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the Hong Kong branch share registrars of the Company
"Release Date"	the date on which the redemption of the Bonds takes place
"Remaining Group"	the Group upon completion of the Amended Deed of Settlement
"S&P Agreement"	the sale and purchase agreement to be entered into between the Company and the Bondholder (or its designee) relating to the transfer of the entire issued share capital of Zhong Ping in the form agreed by the Company and the Bondholder
"Sale Interest"	100% of the issued share capital of Zhong Ping (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

"Selenge Litigation"	any claim, legal action, proceeding, suit, litigation, mediation or arbitration threatened or commenced by Minority Shareholder against the Bondholder (or any of its designees for the transfer of any Sale Interest), the Company or Zhong Ping in relation to any Designated Zhong Ping Breach
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	Share(s) of HK$0.0625 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Deed"	the supplemental settlement deed dated 15 January 2014, signed among, the Company, the Liquidators and Lehman Brothers for amendment of certain terms in respect of the Original Deed of Settlement
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Third Payment Amount"	means the amount of HK$6,000,000
"Transfer"	the transfer of the Sale Interest to Lehman Brothers or other third party in accordance with the terms of the Original Deed of Settlement or the Amended Deed of Settlement (as the case maybe)
"Xin Shougang"	新首鋼資源控股有限公司 (transliterated as Xin Shougang Zi Yuan Holdings Limited), a company established in the PRC with limited liability
"Zhong Ping"	Zhong Ping Resources Holdings Limited, a company incorporated in the BVI with limited liability
"Zhong Ping Group"	Zhong Ping and ARIA
"Zhong Ping Shares"	The entire issued share capital of Zhong Ping, which had been properly and validly issued and allotted and are each fully paid
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%" or "per cent."	percentage or per centum

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)

Executive Directors:
Ms. MA Zheng *(Chairman)*
Mr. WONG Pui Yiu
Mr. PAN Feng

Independent Non-Executive Directors:
Mr. WAN Tze Fan Terence
Mr. CHUNG Chin Keung
Mr. WANG Xiao Bing

Registered Office:
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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Suite 1415, Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

12 March 2014

To the Shareholders

Dear Sir or Madam,

(I) SUPPLEMENTAL DEED TO THE ORIGINAL DEED OF SETTLEMENT IN RELATION TO THE REDEMPTION OF BONDS OF THE COMPANY AND VERY SUBSTANTIAL DISPOSAL OF A SUBSIDIARY; AND (II) NOTICE OF EGM

INTRODUCTION

Supplemental Deed

As disclosed in the Announcement, the Company, the Bondholder and the Liquidators entered into the Supplemental Deed for the redemption of the Bonds on 15 January 2014 (after trading hours).

Pursuant to the Supplemental Deed, the Company shall pay to the Bondholder (i) a non-refundable Deposit in the sum of HK$6 million; (ii) an amount in HK$ that is equivalent to RMB24,000,000; and (iii) transfer Zhong Ping Shares to the Bondholder. On the other hand, the Bondholder would elect to receive Zhong Ping Shares for the purpose of the Transfer, the completion of which is one of the conditions of the redemption of the Bonds as set out in the Original Deed of Settlement.

The purpose of this circular is to provide you with (i) details of the Supplemental Deed; (ii) the financial information of the Zhong Ping Group; (iii) the unaudited pro forma financial information of the Remaining Group; (iv) other information as required by the GEM Listing Rules; and (v) a notice of the EGM.

BACKGROUND

References are made to the announcements of the Company 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 and 30 December 2013 and the circular of the Company dated 11 October 2010.

On 31 October 2007, the Company issued to Lehman Brothers the Bonds in the principal amount of approximately HK$246 million which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the Liquidators entered into 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 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 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 Latest Practicable Date, 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 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 Latest Practicable Date.

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping (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 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. The Long-stop Date has been extended several times to allow more time for the ARIA Transfer. In view of the above deferral, the Bondholder and the Company have discussed and explored alternative to effect the Transfer in order to expedite the fulfillment of conditions of the redemption of the Bonds.

After negotiations with the Bondholder and the Liquidators, the Company entered into the Supplemental Deed on 15 January 2014 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.

SUPPLEMENTAL DEED

Date: 15 January 2014

Parties:

(i) Lehman Brothers, being the Bondholder;

(ii) Liquidators, being the joint and several liquidators of Lehman Brothers; and

(iii) The Company, being the issuer of the Bonds.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Bondholder, the Liquidators and their respective ultimate beneficial owner(s) are third parties independent of the Company and is not connected with the Company and its connected persons (as defined under the GEM Listing Rules).

Effectiveness of the Supplemental Deed

Save for certain terms including the payment of the Deposit, the effectiveness of the Supplemental Deed shall be subject to the satisfaction of the condition (the "**Effective Condition**") that the Shareholders having passed the necessary resolution(s) to approve the Supplemental Deed and the transactions contemplated thereunder. The Company shall use its best endeavours to ensure the satisfaction of the Effective Condition. The Company shall give the Bondholder written notice of the date on which the Effective Condition is satisfied by no later than 4:00 p.m. (Hong Kong time) on such date (the "**Effective Date**"). The Effective Condition cannot be waived.

Pursuant to the Supplemental Deed, certain terms of the Original Deed of Settlement will be amended and the amendments will be effective upon the Effective Date. The material terms of the Supplemental Deed and the material amendments are set out below.

Payment of Deposit

The Company has paid to the Bondholder the Deposit in an amount of HK$6,000,000 upon signing of the Supplemental Deed. If the Effective Date occurs prior to the termination of the Supplemental Deed, then the Deposit shall be retained by the Bondholder and shall be deemed to constitute the Third Payment Amount under the Amended Deed of Settlement for all purposes. If the Effective Date does not occur prior to the termination of the Supplemental Deed, then the Bondholder shall retain the Deposit and apply it towards the repayment of an equivalent amount of principal due in connection with the Bonds.

Undertaking and confirmation upon Effective Date

As of the Effective Date, each of the Company and the Bondholder thereby confirms that pursuant to the Amended Deed of Settlement:

(i) the Company must pay the Fourth Payment Amount to the Bondholder by no later than 4:00 p.m. (Hong Kong time) on the Long-stop Date, or such later date as may be mutually agreed by the Bondholder and the Company;

(ii) the Company must pay the Fourth Payment Amount (among other amounts) in full to the bank account of the Bondholder specified or to such other bank account as may be notified in writing by the Bondholder to the Company prior to the remittance of such payment; and

(iii) subject to the fulfilment to the satisfaction of the Bondholder or waiver by the Bondholder of the conditions of the redemption of the Bonds, the Bondholder must present the original of the certificate(s) for the Bonds to the Company and treat the Bonds as having been redeemed upon receipt of the Fourth Payment Amount in full.

Transfer of Zhong Ping Shares

As of the Effective Date, pursuant to the Amended Deed of Settlement, the Bondholder thereby requires the Company to (and the Company shall):

(a) execute and deliver to the Bondholder (or its designee) the S&P Agreement on or prior to the Long-stop Date; and

(b) provide such countersigned agreement and deliver it to the Bondholder (or its designee), comply with and fulfill each of its obligations under the S&P Agreement in relation to the transfer of the Zhong Ping Shares to the Bondholder (or its designee).

As of the Effective Date, the Bondholder shall be deemed to have elected to receive (or for its designee to receive) a transfer of the Zhong Ping Shares, provided that the Bondholder shall be entitled to revoke such election in its sole discretion (in which case such election shall no longer be effective) if:

(a) the Company is in breach any of its obligations regarding the execution and delivery of S&P Agreement as mentioned above; or

(b) the Zhong Ping Shares are not transferred to the Bondholder (or its designee) pursuant to the S&P Agreement on or prior to the Long-stop Date for any reason other than a breach of such agreement by the Bondholder (or its designee).

Amendments of the conditions of the redemption of the Bonds

Upon the Effective Date, the Supplemental Deed will become effective. Pursuant to the terms of the Amended Deed of Settlement, the redemption of the Bonds is subject to the fulfillment of the following conditions to the satisfaction of the Bondholder or waiver by the Bondholder.

(i) the payment of the HK$9.5 million in full to the Bondholder by the Company upon execution of the Original Deed of Settlement, which has been duly settled by the Company;

(ii) (a) the payment of the HK$75.5 million in full to the Bondholder by the Company by no later than 4:00 p.m. on 17 November 2010, or such later date as may be mutually agreed by the Bondholder and the Company;

(b) the payment of the Third Payment Amount in full to the Bondholder by the Company by no later than 4:00 p.m. on 15 January 2014, or such later date as may be mutually agreed by the Bondholder and the Company;

(c) the payment of the Fourth Payment Amount in full to the Bondholder by the Company by no later than 4:00 p.m. on the Long-stop Date or such later date as may be mutually agreed by the Bondholder and the Company;

(iii) there are no outstanding or contingent liabilities between Zhong Ping or ARIA on the one hand and the Company or any of its affiliates on the other hand;

(iv) (a) the completion of the transfer of the Sale Interest to the Bondholder free from all encumbrances; or

(b) (1) the Company having entered into, complied with and performed all agreements, obligations and conditions contained in the relevant deed of undertaking, including, without limitation, the Company having entered into and performed all documents and done all things requested by the Bondholder in its sole and absolute discretion to transfer the Sale Interest and pay any proceeds to the Bondholder or any third party as required under the deed of undertaking; or

(2) the Company having entered into the deed of undertaking and the Bondholder having notified the Company of its refusal to accept the transfer of the Sale Interest to the Bondholder or any other third party pursuant to the deed of undertaking;

(v) the Company having performed and complied with all agreements, obligations and conditions contained in the Amended Deed of Settlement in all material respects;

(vi) there having been no Material Adverse Change, other than any Material Adverse Change arising or occurring as a result of any Designated Zhong Ping Breach or Designated ARIA Breach;

(vii) the warranties and representations given by the Company set out in the Amended Deed of Settlement remaining true and correct in all material respects as of the Release Date as though made on such date;

(viii) the transactions contemplated by the Amended Deed of Settlement remaining permitted by applicable law and regulation and not in violation of applicable law or regulation and not subjecting the Bondholder or the Liquidators to any tax, penalty or liability under applicable law or regulation, and no person having instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge any of the transactions contemplated by the Amended Deed of Settlement or threatened to take any action as a result of or in anticipation of the implementation of any of the transactions contemplated by the Amended Deed of Settlement, except for any Selenge Litigation to the extent the Bondholder has received written notice thereof in reasonable detail as soon as reasonably practicable;

(ix) the Company having provided the Bondholder with a copy of the conditional agreement dated 9 April 2010 in relation to the disposal of 12.21% interest in the registered capital of Xin Shougang and the repurchase of the Preferred Shares;

(x) the Shareholders who are not required to abstain from voting under the GEM Listing Rules or other applicable codes and regulations having passed the necessary resolution(s) to approve the Original Deed of Settlement (and any supplemental deeds thereto or variations thereof) and the transactions contemplated thereunder; and

(xi) all requirements and conditions imposed by the Stock Exchange, the SFC or under the GEM Listing Rules or otherwise in connection with the Amended Deed of Settlement and the transactions contemplated thereby (including but not limited to the change of terms of the Bonds) having been fulfilled or complied with.

The Company shall use its best endeavours to ensure the satisfaction of the above conditions other than condition (viii). The Bondholder may, at any time, waive in whole or in part, any of the above conditions by notice to the Company. As at the Latest Practicable Date, conditions (i), (ii)(a), (ii)(b), (ix) have been fulfilled. Save as above, none of the conditions have been fulfilled.

If any of the above conditions cannot be fulfilled or waived on or before Long-stop Date (or such later date as may be agreed between the Company and the Bondholder), HK$4,000,000 of the payment made to the Bondholder will be forfeited as liquidated damages, while the remaining sum of any payment(s) made by the Company under the Amended Deed of Settlement will be applied towards satisfaction of an equivalent sum of the outstanding liabilities of the Company under the Bonds.

Termination

If the Effective Date does not occur on or before the Long-stop Date or the Original Deed of Settlement is terminated prior to the Effective Date, the Supplemental Deed shall automatically terminate and be of no further force and effect without any action by any party.

FINANCIAL EFFECTS OF THE REDEMPTION OF THE BONDS AND THE TRANSFER

Pursuant to the Original Deed of the Settlement and the Supplemental Deed, the Company agrees to pay a total of approximately HK$122,000,000 and to transfer the Sales Interest (which is classified as assets classified held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds.

The carrying value of the financial liability component of the Bonds is approximately HK$246,250,000 as at 31 December 2012. The net assets value of the Zhong Ping Group is approximately HK$177,618,000 as at 30 September 2013. Assuming the redemption of the Bonds and the Transfer was completed on 31 December 2012, on a pro forma basis, the Group would record a loss of approximately HK$904,000 in the redemption of the Bonds and the Transfer. This loss is calculated as (i) the above carrying value of the financial liability component of the Bonds of approximately HK$246,250,000, less the total of the cash consideration and the above carrying value of the Zhong Ping Group of approximately HK$299,618,000 (i.e. the sum of HK$85,000,000, HK$37,000,000 and HK$177,618,000) and impairment of amount due from Zhong Ping Group of approximately HK$484,000; and plus (ii) the release of the gains to profit or loss of the Group's cumulative exchange reserve, relating to the Zhong Ping Group's operation and minority interest relating to the Zhong Ping Group at the amounts of approximately HK$9,809,000 and HK$33,905,000 and accrued interest relating to the Bonds of approximately HK$9,234,000 as at 31 December 2012 respectively. Overall, the redemption of the Bonds and the Transfer will result in a decrease in equity attributable to owners of the Company of approximately HK$10,713,000 (i.e. the sum of HK$904,000 and HK$9,809,000). The actual gain or loss for the redemption of the Bonds and the Transfer will be reassessed on the actual date of redemption of the Bonds and the Transfer.

The financial effects of the redemption of the Bonds and the Transfer on the total assets and the total liabilities of the Group as at 31 December 2012 and 30 June 2013 are the same. After the redemption of the Bonds and the Transfer, the total assets of the Group as of 30 June 2013 will decrease from HK$569,266,000 to HK$277,654,000; the total liabilities of the Group will decrease from HK$296,122,000 to HK$49,128,000, as set out in Appendix III of this circular.

Upon completion of the Amended Deed of Settlement, the Zhong Ping Group will cease to be subsidiaries of the Group.

FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

Upon completion of the Amended Deed of Settlement, disposal of the Zhong Ping Group and the Loan Agreement, the Remaining Group will continue to its core business as the manufacture and trading of PE Pipes. Customers will definitely increase their confidence on the Remaining Group as the Bonds will no longer be an issue to the Remaining Group. As a result, the Remaining Group can concentrate its resources to increase the turnover and improve the performance and profitability of the Remaining Group. In the meanwhile, the Board will continue to look for potential investment which will increase Shareholders' wealth in the long run.

In terms of financial prospect, the redemption of the Bonds will substantially reduce the debt of the Remaining Group. Taking into account the aggregate effect of redemption of the Bonds and drawdown of the Loan, total liabilities will reduce and gearing will improve. The Board believes the financial position of the Remaining Group will be much better as a result of the completion of the Amended Deed of Settlement. The Board considers that the Loan Agreement will not impose significant pressure on the financial condition of the Company as the interest amount is approximately HK$2.6 million each year which is manageable. The Loan Agreement itself is not expected to have material impact on the financial and trading prospect of the Remaining Group. Considering the principal amount of the Loan is only required to be repaid upon the expiry of the Loan which is two years from the drawdown date, the Board will monitor the cashflow position of the Group closely and, when market opportunities arise, shall consider equity fund raising exercise or other lower cost loan financing activities to repay the principal amount of the Loan, at any time the Board considers appropriate, which will further improve or strengthen the financial position of the Company. The Board will continue to monitor the financial position and working capital of the Remaining Group closely so as to meet the needs of the core business of the Remaining Group and for future investments.

INFORMATION ON THE ZHONG PING GROUP

Zhong Ping is an investment holding company which beneficially holds 70% of the issued share capital of ARIA. ARIA is principally engaged in mining related business by holding the mining licence but has not commenced any mining operation and has not recorded any turnover since its incorporation. Zhong Ping, through ARIA, holds the majority interest of the mining right in respect of the project located at Mungun-Undur, Khentii Province, Mongolia. The project has prospects for silver, lead, zinc and tin mineralization. The Zhong Ping Group became the subsidiaries of the Group pursuant to the acquisition which was completed on 23 April 2008. Details of the acquisition were set out in the announcement of the Company dated 17 March 2008 and the circular of the Company dated 7 April 2008. However, only a few months later in October 2008, Lehman Brothers went into liquidation and the Company had to adjust its resources allocation plan and strategy and had slowed down the planning of the mining operation of Zhong Ping Group. Thereafter, during the prolonged negotiation with Lehman Brothers and the Liquidators in relation to the Bonds, there was no development and no mining operation of Zhong Ping Group.

Later, a settlement was finally reached among the Company, Lehman Brothers and the Liquidators and the Original Deed of Settlement was entered into in October 2010. Pursuant to the Original Deed of Settlement, it is one of the conditions for the redemption of the Bonds that the Sale Interest would be transferred to Lehman Brothers. As such, the Company has ceased the planning of any future development of Zhong Ping Group and did not commence any mining operation.

Set out below is a summary of the combined financial information of the Zhong Ping Group prepared by using the Hong Kong Financial Reporting Standards for the two years ended 31 December 2011 and 2012:

	For the year ended 31 December	
	2011	**2012**
	(unaudited)	**(unaudited)**
	HK$ million	*HK$ million*
Loss before taxation	–	–
Loss after taxation	–	–

	As at 31 December	
	2011	**2012**
	(unaudited)	**(unaudited)**
	HK$ million	*HK$ million*
Net assets	177.6	177.6
Total assets	207.6	207.6

LOAN AGREEMENT

Taking into account the current financial position of the Company, the Company has entered into the Loan Agreement with an independent third party to finance the payment of the Deposit and 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 the Loan up to HK$38 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lender and its ultimate beneficial owner(s) are third parties independent of the Company and is not connected with the Company and its connected persons (as defined under the GEM Listing Rules).

Summarised below are the principal terms of the Loan Agreement:

Date:	15 January 2014
Borrower:	The Company
Lender:	Excel Sino Investments Limited
Facility limit:	HK$38 million
Interest rate:	7% per annum calculated on the basis of actual number of days lapsed and in a 365-day per year

Interest payment:	interest shall be repaid semi-annually since the drawdown date
Repayment:	the Company shall repay all the outstanding amount of principal, interests and all other payable amount 2 years since the drawdown date
Security:	Nil
Fees:	Nil
Drawdown of the Loan:	the Company can drawdown the Loan in whole or in part (each time not less than HK$5,000,000) on or before 31 July 2014 upon fulfillment of the following conditions:

(1) (a) all the necessary consent, approval, authorisation on the transactions contemplated under the Loan Agreement have been obtained;

(b) the representatives and warranties of the Loan Agreement made by the Company remains true, accurate and not misleading in any material respect from the date of agreement and at any time before drawdown date;

(c) there is no event of default or potential event of default has been occurred or is continuing to occur on the drawdown date, and the drawdown will not cause the occurrence of any event of default or potential event of default;

(2) the Lender receiving the irrevocable drawdown notice duly signed by the Company not less than one Business Day before the proposed drawdown date or timeframe acceptable by the Lender; and

(3) there has not been any event or behaviour that would cause the Lender to believe that the financial and trading position of the Company would have material adverse change and thus adversely affect the Company to fulfill its obligations and responsibilities under the Loan Agreement.

REASONS FOR THE SUPPLEMENTAL DEED AND THE LOAN AGREEMENT

The Group is principally engaged in manufacture and sale of PE Pipes. The main reason for the Company to enter into the Supplemental Deed is to facilitate the transfer of the Sale Interest. As explained in the section headed "BACKGROUND" above, the ARIA Transfer has not been effected as the necessary approvals and consent for the ARIA Transfer has not been obtained from the relevant government authorities in Mongolia as at the Latest Practicable Date. The Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA subject to the terms agreed in the Supplemental Deed. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consents required for the transfer of equity interests of ARIA in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

The Supplemental Deed is a supplement to the Original Deed of Settlement with an aim to settle the repayment obligation of the Company under the Bonds and to lay down the completion arrangement for the transfer of the Sale Interest to the Bondholder which is one of the conditions precedent under the Original Deed of Settlement for the redemption of the Bonds. The Supplemental Deed also confirms the choice of the Bondholder to elect to transfer the entire issued share capital of Zhong Ping instead of its subsidiary, ARIA as provided by the Original Deed of Settlement. The core amendment made under the Supplemental Deed is the increase of amount being paid to the Bondholder for the settlement. Further, the Bondholder would only agree to accept the transfer of the Zhong Ping Shares and revoke its election previously to receive the 70% equity interest in ARIA after the terms of payments of the Third Payment Amount and the Fourth Payment Amount by the Company being incorporated in the Supplemental Deed.

The Bondholder had indicated to the Company that the settlement should be completed as soon as possible and the Directors acknowledged that the Bondholder would not agree to extend the long stop date indefinitely. If the Bondholder decides to terminate the Original Deed of Settlement and pursuant to which, the Bondholder can demand the Company for repayment of outstanding liabilities under the Bonds and the Company will then face the risk of certain events such as litigation, liquidation, winding up order etc. Therefore, the Company has negotiated with the Bondholder and agrees to the amount of increased consideration which was split into a non-refundable deposit payable upon signing of the Supplemental Agreement and the Fourth Payment Amount payable on or before the Long-stop Date. In view of the above and the lapse of time in completing the Original Deed of Settlement, the Company considers that the Third Payment Amount and Fourth Payment Amount are fair and reasonable.

Taking into account the availability of funds under the Loan Agreement and having considered that the transfer of the Sale Interest can be effected for fulfillment of the relevant condition of the Amended Deed of Settlement rather than waiting for the prolonged commercial negotiation between the Bondholder and the Minority Shareholder to be reached for a new joint venture agreement, the Directors are of the view that the terms of the Supplemental Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Moreover, as the interest rate under the Loan Agreement was determined after arm's length negotiations between the Company and the Lender and considering the usage of the Loan is for the payment required under the Supplemental Deed, the Directors are of the view that the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Taking into account that the Original Deed of Settlement was approved by the Shareholders at the extraordinary general meeting held on 27 October 2010, the Transfer, being one of the conditions precedent for the redemption of the Bonds under the Original Deed of Settlement and the Transfer if materialise would constitute a very substantial disposal transaction of the Company, the Board considers that the entering into of the Supplemental Deed constitutes a material change of terms of the Original Deed of Settlement (with the Transfer) and as such, it is necessary to comply with the Shareholders' approval requirement for the Supplemental Deed and the transaction(s) contemplated thereunder.

As no Shareholders have any material interest in the Supplemental Deed, no Shareholders are required to abstain from voting at the EGM in respect of the resolution to approve the Supplemental Deed and the transaction(s) contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM is set out on pages N-1 to N-2 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrars and transfer office, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors are of the opinion that the Supplemental Deed and the transaction(s) contemplated thereunder, are fair and reasonable and in the best interests of the Company and the Shareholders and recommend all Shareholders to vote in favour of the resolution in respect of the Supplemental Deed and the transaction(s) contemplated thereunder, to be proposed at the EGM.

ADDITIONAL INFORMATION

If the Supplemental Deed is voted down by the Shareholders, the Supplemental Deed will not become effective and the Bondholder is entitled to demand the Company for repayment of the outstanding liabilities under the Bonds pursuant to the Original Deed of Settlement. Based on the understanding of the Company, Ms. Ma, the major shareholder holding over 50% of equity interest of the Company has indicated that she intends to vote for the resolution approving the Supplemental Deed.

Please also note that the Supplemental Deed and the Amended Deed of Settlement are subject to, among other things, the fulfillment or waiver of the conditions set out in the paragraph headed "Amendments of the Conditions of the redemption of the Bonds" above. Accordingly, the Shareholders and the public are reminded to exercise caution when dealing in the Shares.

Your attention is also drawn to the additional information set out in the appendices to this circular.

On behalf of the board of
China Primary Resources Holdings Limited
MA Zheng
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 are disclosed in the Company's annual reports for the financial years ended 31 December 2010, 2011 and 2012 respectively and the Company's interim report for the six months ended 30 June 2013. All of these financial statements have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at http://china-p-res.etnet.com.hk/.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Remaining Group for each of the year ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013. Accordingly, the results, assets and liabilities of the Zhong Ping Group and the Bonds are excluded in the figures presented in the analysis below.

FOR THE YEAR ENDED 31 DECEMBER 2010

Operation review

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

The business segment of the PE Pipes and FRP Pipes was performing well in 2010 and was the main business of the Remaining Group in 2010. FRP Pipes have gradually been replaced by the PE Pipes. From 2011 onwards, PE Pipes will become the main products of the Remaining Group. This business segment has been the core business of the Remaining Group for many years. The PE Pipes and FRP Pipes are products used for constructions and city development in the PRC. Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the rapid and continuous development of the PRC market, the Directors believe that the demands for our products are both sustainable and look set to increase.

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

Financial review

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

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

The Disposal of available-for-sale investments

On 9 April 2010 (after trading hours), Yichang Shoukong Industries Co., Limited (宜昌首控實業有限公司) ("**Yichang Shoukong**"), a wholly-owned subsidiary of the Company, and 首鋼控股有限責任公司 (transliterated as Shougang Holdings Limited Liability Company) ("**Shougang**") entered into the agreement (the "**Agreement**") pursuant to which Yichang Shoukong has conditionally agreed to sell, and Shougang has conditionally agreed to purchase, the 12.21% equity interest ("**Sale Interest 1**") in the registered paid up capital of Xin Shougang at an aggregate consideration of HK$314.8 million (the "**Disposal**"). The consideration would be satisfied by Shougang as to HK$25.34 million by cash (or RMB22.28 million as agreed between the parties to the Agreement) and as to HK$289.46 million by way of procuring Great Ocean Real Estate Limited ("**GORE**") to transfer 2,802,235,294 unlisted Preferred Shares to the Company for repurchase ("**Share Repurchase**") and cancellation subject to the terms and upon fulfillment of the conditions of the Agreement.

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

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

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

Decrease in authorised share capital

As a result of the Share Repurchase, all the Preferred Shares in issue have been cancelled. In order to extinguish the Preferred Share class from the authorised share capital of the Company, the Board diminished the authorised share capital of the Company from HK$125,000,000 to HK$120,000,000 by the cancellation of 4,000,000,000 Preferred Shares of HK$0.00125 each in the authorised share capital of the Company (the "**Authorised Share Capital Decrease**"). As a result, the authorised share capital of the Company became HK$120,000,000 divided into 9,600,000,000 Shares of HK$0.0125 each. The Authorised Share Capital Decrease was passed as an ordinary resolution by the Shareholders by way of poll at the extraordinary general meeting held on 28 June 2010. With all conditions to the Agreement having been fulfilled, the Disposal and the Share Repurchase were completed on 2 December 2010 in accordance with the terms of the Agreement.

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

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers (as Bondholder) and the Liquidators signed the Original Deed of Settlement for the redemption of the Bonds 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.

Pursuant to the Original Deed of Settlement, the Company paid to the Bondholder a sum of HK$85 million in November 2010 and will transfer the Sale Interest 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 (being the holder of the 70% equity interest in 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 Latest Practicable Date, the completion of the Original Deed of Settlement and the disposal are still in progress. Pursuant to the Original Deed of Settlement, completion of the Original 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. In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into various extension letters on 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 and 30 December 2013 respectively and the Supplemental Deed to extend the Long-stop Date from 31 October 2011 to 30 April 2014 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, 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 and 30 December 2013 and the circular dated 11 October 2010 of the Company.

The Subscription

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

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

The Open Offer

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

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

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

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

The Company applied the majority of the net proceeds from the Subscription and the Open Offer for the payment under the Deed of Settlement and retained the balance as general working capital of the Remaining Group for future operation and development.

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

Business outlook and prospects

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

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

Liquidity and financial resources

As at 31 December 2010, the net assets of the Remaining Group were approximately HK$345,394,000 while its total assets were approximately HK$470,364,000 including cash and bank balances of approximately HK$46,930,000.

Funding activities during the year

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

Gearing ratio

As at 31 December 2010, current assets of the Remaining Group amounted to approximately HK$276,081,000 which included cash of approximately HK$14,873,000 and RMB27,231,000 while current liabilities stood at approximately HK$86,951,000. Shareholders' funds amounted to approximately HK$345,394,000. In this regard, the Remaining Group was in a net assets position and had a gearing ratio of approximately 19.9% (net loan to equity attributable to owners of the Company) as of 31 December 2010.

Exposure to fluctuations in exchange rates

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

Charge on group assets and contingent liabilities

During the year under review, the Remaining Group has pledged buildings of approximately HK$42,940,000 and land use rights of approximately HK$32,053,000 to a PRC bank to obtain a short term loan. Save as disclosed, as at 31 December 2010, the Remaining Group did not have any significant contingent liabilities and no other assets of the Remaining Group were pledged (2009: Nil).

Capital structure

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. Immediately after the completion of the Subscription and the Open Offer, the issued share capital of the ordinary shares of the Company was 2,414,404,920 shares of HK$0.0125 each. In 2010, all the 2,802,235,294 Preferred Shares were cancelled.

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

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year 2010.

Significant investments

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

Employee information

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

FOR THE YEAR ENDED 31 DECEMBER 2011

Operation review

Turnover of the Remaining Group during the year under review was not performing well when compared to the corresponding year in 2010. The Board believes the significant decrease in turnover was mainly due to (i) the rapid turnaround of the global economic environment in the third quarter of 2011; (ii) slow down of the development of the property market in the PRC which directly affects the construction sector which in turn affects the demand of the PE Pipes; and (iii) the psychological effect on customers after the completion of the mandatory cash offer exercise in July 2011.

The business segment of the PE Pipes was the main business of the Remaining Group during the year under review. FRP Pipes have been replaced by the PE Pipes which became the main products of the Remaining Group. This business segment has been the core business of the Remaining Group for many years. The PE Pipes are products used for constructions and city development in the PRC. Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the continuous development of the PRC market in the long term, the Directors believe that the demands for our products are both sustainable and look set to increase.

Besides the decrease of turnover, certain assets of the Remaining Group were affected and specific provisions were made on these assets so as to prudently reflect the net worth of the Remaining Group.

Financial review

Turnover was approximately HK$89,699,000 for the year ended 31 December 2011, which represented a decrease of 43.1% when compared with last year's turnover of approximately HK$157,651,000. Turnover of the Remaining Group during the year under review was not as good as the corresponding year in 2010. The Board believes the significant decrease in turnover was mainly due to (i) the rapid turnaround of the global economic environment in the third quarter of 2011; (ii) slow down of the development of the property market in the PRC which directly affects the construction sector which in turn affects the demand of PE Pipes; and (iii) the psychological effect on customers after the completion of the mandatory cash offer exercise in July 2011.

During the year under review, the consolidated income statement comprised of continuing operations only. The audited loss before income tax of continuing operations was approximately HK$50,994,000 (2010: approximately HK$34,822,000). Loss from discontinued operations in 2010 was approximately HK$24,761,000. The loss attributable to owners of the Company was approximately HK$50,994,000 (2010: loss of approximately HK$57,170,000). 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 Remaining Group's corporate resources to create wealth for the shareholders of the Company.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers (as Bondholder) and the Liquidators signed the Original Deed of Settlement for the redemption of the Bonds 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.

Pursuant to the Original Deed of Settlement, the Company paid to the Bondholder a sum of HK$85 million in November 2010 and will transfer the Sale Interest 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 (being the holder of the 70% equity interest in 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 Project located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the Latest Practicable Date, the completion of the Original Deed of Settlement and the disposal are still in progress. Pursuant to the Original Deed of Settlement, completion of the Original 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. In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into various extension letters on 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 and 30 December 2013 respectively and the Supplemental Deed to extend the Long-stop Date from 31 October 2011 to 30 April 2014 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, 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 and 30 December 2013 and the circular dated 11 October 2010 of the Company.

Change of shareholding of substantial shareholders

Pursuant to the share agreement dated 30 May 2011 (the "**Share Agreement**") entered into among Ms. Ma (as purchaser) (the "**Offeror**"), Mr. Yu Hongzhi ("**Vendor A**") and Future Advance Holdings Limited ("**Vendor B**"), Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 Shares (the "**Sale Shares**"), representing approximately 49.94% of the entire issued share capital of the Company. The aggregate consideration for the Sale Shares is HK$48,229,877.96 (equivalent to HK$0.04 per Sale Share), which was agreed among the parties to the Share Agreement after arm's length negotiations. Completion of the Share Agreement took place on 30 May 2011 immediately after the signing of the Share Agreement and the aggregate consideration of HK$48,229,877.96 had been paid by the Offeror to Vendor A and Vendor B in cash at completion of the Share Agreement.

Details are set out in the joint announcements dated 3 June 2011 (the "**First Joint Announcement**") and 15 July 2011 and the composite offer and response document dated 24 June 2011 (the "**Composite Document**") of the Company.

Mandatory unconditional cash offers and subsequent events

Immediately before the completion of the Share Agreement, the Offeror was interested in 12,150,000 Shares, representing approximately 0.51% of the entire issued share capital of the Company; and the Offeror and parties acting in concert with her (the "**Offeror Group**") was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make a mandatory unconditional general offer in cash (the "**Offer**") for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror Group.

As a result of the acquisition of the Sale Shares and immediately before the offer period (period commencing from 3 June 2011 (being the First Joint Announcement) and ending on the closing date on 15 July 2011), the Offeror was interested in a total of 1,217,896,949 Shares, representing approximately 50.44% of the entire issued share capital of the Company; and the Offeror Group was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Taking into account the valid acceptance of 478,865 offer shares received under the offer, the Offeror Group holds, controls or directs an aggregate of 1,229,775,814 Shares, representing approximately 50.94% of the issued share capital of the Company immediately upon the close of the offer and as at the date of this report.

Details are set out in the First Joint Announcement, joint announcement dated 15 July 2011 and the Composite Document of the Company.

Business outlook and prospects

The business of production and sale of the PE Pipes were not performing well in the year 2011. However, the Board believes that this business segment will start to grow and perform much better in the year 2012 onwards. The Remaining Group has been building an effective sales team to explore new markets and find more customers for its products.

With the anticipated completion of the Deed of Settlement in 2012 and the continued development of the pipes manufacturing business, the Remaining Group is targeting to become one of the largest PE Pipes manufacturers in the market.

Liquidity and financial resources

As at 31 December 2011, the net assets of the Remaining Group were approximately HK$311,559,000 while its total assets were approximately HK$365,058,000 including cash and bank balances of approximately HK$32,539,000.

Funding activities during the year

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

Gearing ratio

As at 31 December 2011, current assets of the Remaining Group amounted to approximately HK$170,140,000 which included cash of approximately HK$2,006,000 and RMB24,786,000 while current liabilities stood at approximately HK$15,480,000. Shareholders' funds amounted to approximately HK$311,559,000. In this regard, the Remaining Group was in a net assets position and had a gearing ratio of approximately 1.8% (net loan to equity attributable to owners of the Company) as of 31 December 2011.

Exposure to fluctuations in exchange rates

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

Charge on group assets and contingent liabilities

As at 31 December 2011, the Remaining Group did not have any significant contingent liabilities and no other assets of the Remaining Group were pledged (2010: The Remaining Group had pledged its buildings of approximately HK$42,940,000 and land use rights of approximately HK$32,053,000 to a PRC bank to obtain a short term loan).

Capital structure

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

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

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year 2011.

Significant investments

The Remaining Group had not made any significant investment for the year ended 31 December 2011.

Employee information

As at 31 December 2011, the Remaining Group had 5 full-time employees working in Hong Kong and 70 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$8,801,000. The Remaining Group remunerates its employees based on their performance, experience and the prevailing industry practice.

FOR THE YEAR ENDED 31 DECEMBER 2012

Operation review

Turnover of the Remaining Group for the year ended 31 December 2012 was not performing well when compared to the corresponding year in 2011. The Board would like to report that the significant decrease in turnover was mainly due to the unstable global economic condition and the slow down of the development of the property market in the 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.

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

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

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

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

Deed of settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers (as Bondholder) and the Liquidators signed the Original Deed of Settlement for the redemption of the Bonds 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.

Pursuant to the Original Deed of Settlement, the Company paid to the Bondholder a sum of HK$85 million in November 2010 and will transfer the Sale Interest 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 (being the holder of the 70% equity interest in 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 Project located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the Latest Practicable Date, the completion of the Original Deed of Settlement and the disposal are still in progress. Pursuant to the Original Deed of Settlement, completion of the Original 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. In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into various extension letters on 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 and 30 December 2013 respectively and the Supplemental Deed to extend the Long-stop Date from 31 October 2011 to 30 April 2014 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, 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 and 30 December 2013 and the circular dated 11 October 2010 of the Company.

Financial review

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

During the year under review, the audited loss before income tax was approximately HK$76,236,000 (2011: approximately HK$50,994,000). The loss attributable to owners of the Company was approximately HK$76,550,000 (2011: loss of approximately HK$50,994,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Remaining Group's corporate resources to create wealth for the shareholders of the Company.

Business outlook and prospects

The business of production and sale of the PE pipes were not performing well in the year 2012. However, the Board believes that this business segment will start to grow and perform much better in the year 2013 onwards. The Remaining Group has been building an effective sales team to explore new markets and identify more customers for its products.

With the anticipated completion of the Deed of Settlement in 2013 and the continued development of the pipes manufacturing business, the Remaining Group is targeting to become one of the largest PE pipes manufacturers in the market.

Liquidity and financial resources

As at 31 December 2012, the net assets of the Remaining Group were approximately HK$239,086,000 while its total assets were approximately HK$290,577,000 including cash and bank balances of approximately HK$8,111,000.

Funding activities during the year

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

Gearing ratio

As at 31 December 2012, current assets of the Remaining Group amounted to approximately HK$99,354,000 which included cash of approximately HK$1,922,000 and RMB4,976,000 while current liabilities stood at approximately HK$13,491,000. Shareholders' funds amounted to approximately HK$239,086,000. In this regard, the Remaining Group was in a net assets position and had a gearing ratio of approximately 12.5% (net loan to equity attributable to owners of the Company) as of 31 December 2012.

Exposure to fluctuations in exchange rates

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

Charge on group assets and contingent liabilities

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

Capital structure

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

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

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

Significant investments

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

Employee information

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013

Business review and future outlook

Turnover of the Remaining 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 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.

The effect of the change of major shareholders in 2011 was still affecting the customer portfolio of the Remaining 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 Remaining 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 Remaining 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 Remaining Group and continued to be the main business of the Remaining Group in 2013. The PE pipes are materials used for construction and city development in the PRC. The Remaining 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 Remaining Group's products are both sustainable and look set to increase.

On 18 January 2013, the Remaining 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 Remaining Group holds a 40% equity interest in this company. Subsequently, the shareholders of this Company has agreed not to proceed further and the deregistration of this company was completed in January 2014.

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 (as Bondholder) and the Liquidators signed the Original Deed of Settlement for the redemption of the Bonds 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.

Pursuant to the Original Deed of Settlement, the Company paid to the Bondholder a sum of HK$85 million in November 2010 and will transfer the Sale Interest 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 (being the holder of the 70% equity interest in 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 Project located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the Latest Practicable Date, the completion of the Original Deed of Settlement and the disposal are still in progress. Pursuant to the Original Deed of Settlement, completion of the Original 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. In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into various extension letters on 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 and 30 December 2013 respectively and the Supplemental Deed to extend the Long-stop Date from 31 October 2011 to 30 April 2014 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, 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 and 30 December 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 Remaining 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 Remaining Group's corporate resources to create wealth for 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 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 Remaining Group has adequate financial resources to meet its ongoing operations and future development.

Employee information

As at 30 June 2013, the Remaining 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 Remaining 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 Remaining 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 Remaining Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2013.

Charge on group assets and contingent liabilities

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

Gearing ratio

As at 30 June 2013, current assets of the Remaining Group amounted to approximately HK$111,942,000 which included cash of approximately HK$1,653,000 and RMB1,115,000 while current liabilities stood at approximately HK$11,128,000. Shareholders' funds amounted to approximately HK$228,526,000. In this regard, the Remaining Group was in a net assets position and had a gearing ratio of approximately 15.4% (net loan 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 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 Remaining Group's exposure to currency exchange risk was minimal.

3. WORKING CAPITAL

Working capital statement

The Directors, after due and careful consideration, are in the opinion that in the absence of unforeseen circumstances and taking into account of the present available financial resources and the effect of the redemption of the Bonds and the Transfer, the Group has sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 January 2014, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had Bonds and unsecured borrowing in the amounts of approximately HK$246 million and HK$7 million, respectively.

No assets of the Group as at 31 January 2014 were pledged to secure borrowings.

As at 31 January 2014, the Group had no capital expenditure contracted for but not provided.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, as at the close of business on 31 January 2014, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptance (other than normal trade payables) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or contingent liabilities.

5. MATERIAL ADVERSE CHANGES

The Directors confirmed that there was no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company have been made up, up to the Latest Practicable Date.

REVIEWED FINANCIAL INFORMATION

Set out below is the financial information of the Zhong Ping Group which comprises the unaudited consolidated statements of financial position of Zhong Ping as at 31 December 2010, 2011 and 2012 and 30 September 2013, and the unaudited consolidated statements of comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows of Zhong Ping for each of the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 (the "Relevant Periods"), and certain explanatory notes (collectively the "Unaudited Consolidated Financial Information"), which have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 19 of the GEM Listing Rules.

The Unaudited Consolidated Financial Information has been reviewed by our independent auditors, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for Very Substantial Disposal" issued by the HKICPA. The auditors concluded that nothing has come to their attention that causes them to believe that the Unaudited Consolidated Financial Information of Zhong Ping is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Unaudited Consolidated Financial Information.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of mining rights	(6,987)	–	–	–	–
Other operating expenses	(80)	–	–	–	–
Loss before income tax	(7,067)	–	–	–	–
Income tax credit	1,747	–	–	–	–
Loss for the year/period	(5,320)	–	–	–	–
Loss attributable to:					
Owners of Zhong Ping	(3,728)	–	–	–	–
Non-controlling interests	(1,592)	–	–	–	–
Loss for the year/period	(5,320)	–	–	–	–
Other comprehensive income for the year/period that may be reclassified to profit or loss:					
Exchange differences on translation	7,465	–	–	–	–
Total comprehensive income for the year/period	2,145	–	–	–	–
Total comprehensive income for the year/period attributable to:					
Owners of Zhong Ping	1,497	–	–	–	–
Non-controlling interests	648	–	–	–	–
	2,145	–	–	–	–

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2010 *HK$'000*	As at 31 December 2011 *HK$'000*	As at 31 December 2012 *HK$'000*	As at 30 September 2013 *HK$'000*
Current assets				
Assets classified as held for sale	207,612	207,612	207,612	207,612
Current liabilities				
Amount due to ultimate holding company	484	484	484	484
Liabilities associated with assets classified as held for sale	29,510	29,510	29,510	29,510
	29,994	29,994	29,994	29,994
NET ASSETS	177,618	177,618	177,618	177,618
Equity				
Share capital	75,000	75,000	75,000	75,000
Reserves	68,713	68,713	68,713	68,713
Equity attributable to owners of Zhong Ping	143,713	143,713	143,713	143,713
Non-controlling interests	33,905	33,905	33,905	33,905
TOTAL EQUITY	177,618	177,618	177,618	177,618

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Exchange translation reserve *HK$'000*	Accumulated losses *HK$'000*	Revaluation surplus *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Year ended 31 December 2010						
At 1 January 2010	75,000	4,584	(135,071)	197,703	33,257	175,473
Loss for the year	–	–	(3,728)	–	(1,592)	(5,320)
Other comprehensive income	–	5,225	–	–	2,240	7,465
Total comprehensive income for the year	–	5,225	(3,728)	–	648	2,145
At 31 December 2010	75,000	9,809	(138,799)	197,703	33,905	177,618
Year ended 31 December 2011						
At 1 January 2011	75,000	9,809	(138,799)	197,703	33,905	177,618
Total comprehensive income for the year	–	–	–	–	–	–
At 31 December 2011	75,000	9,809	(138,799)	197,703	33,905	177,618
Year ended 31 December 2012						
At 1 January 2012	75,000	9,809	(138,799)	197,703	33,905	177,618
Total comprehensive income for the year	–	–	–	–	–	–
At 31 December 2012	75,000	9,809	(138,799)	197,703	33,905	177,618
Nine months ended 30 September 2012						
At 1 January 2012	75,000	9,809	(138,799)	197,703	33,905	177,618
Total comprehensive income for the period	–	–	–	–	–	–
At 30 September 2012	75,000	9,809	(138,799)	197,703	33,905	177,618
Nine months ended 30 September 2013						
At 1 January 2013	75,000	9,809	(138,799)	197,703	33,905	177,618
Total comprehensive income for the period	–	–	–	–	–	–
At 30 September 2013	75,000	9,809	(138,799)	197,703	33,905	177,618

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Loss before income tax	(7,067)	–	–	–	–
Adjustment for:					
Amortisation of mining rights	6,987	–	–	–	–
Operating loss before working capital changes	(80)	–	–	–	–
Increase in amount due to ultimate holding company	95	–	–	–	–
Decrease in other payables and accruals	(15)	–	–	–	–
Net cash generated from operating activities	–	–	–	–	–
Net increase in cash and cash equivalents	–	–	–	–	–
Cash and cash equivalents at beginning of year/period	1	1	1	1	1
Cash and cash equivalents at end of year/period	1	1	1	1	1
Analysis of the balances of cash and cash equivalents					
Cash at bank and in hand	1	1	1	1	1

NOTE TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The Unaudited Consolidated Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 19 of the GEM Listing Rules, and solely for the purpose of inclusion in this circular in connection with the redemption of the Bonds and disposal of Zhong Ping.

The Unaudited Consolidated Financial Information of Zhong Ping has been prepared using the same accounting policies adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods as set out in the published annual report of the Company for the year ended 31 December 2012 and the published interim report of the Company for the six months ended 30 June 2013, which conform with the Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs to sell.

The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the HKICPA or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and should be read in connection with the published annual report and interim report of the Company.

The consolidated financial statements of Zhong Ping are presented in Hong Kong dollars ("HKD") which is also the functional currency of Zhong Ping. The subsidiary of Zhong Ping held a mining right in Mongolia where it had been developing its mining operation and resources. Accordingly, up to year 2010, Mongolian Tugrik ("MNT") was regarded as the functional currency of the subsidiary and its financial statements were presented in MNT.

During 2010, the Zhong Ping Group ceased its mining activities in Mongolia and became inactive. The Company also took the decision to transfer its entire equity interest in Zhong Ping or its subsidiary to the Bondholder pursuant to the Original Deed of Settlement. Both the management of the Company and Zhong Ping concluded that the primary economic environment had been substantially changed as the Zhong Ping Group had ceased its mining activities in Mongolia and, with effect from 1 January 2011, changed the functional currency of the subsidiary from MNT to HKD.

The change in functional currency of the subsidiary was applied prospectively from the date of change in accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("HKAS 21"). On the date of the change, all assets and liabilities were translated into HKD at the exchange rate on that date. The cumulative exchange translation reserve arising from the translation of the subsidiary's operation previously recognised in equity in accordance with HKAS 21 is not reclassified to profit or loss until the disposal of the subsidiary or its operation.

(A) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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12 March 2014

The Board of Directors
China Primary Resources Holdings Limited
Suite 1415, Ocean Centre
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Primary Resources Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2013, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 December 2012, and related notes as set out on pages III-6 to III-12 in Appendix III to the circular of the Company dated 12 March 2014 (the "Circular") with respect to the redemption of the Bonds (as defined on page 1 of this circular) of the Company and very substantial disposal of a subsidiary (the "Redemption and Disposal"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages III-4 and III-5 in Appendix III to the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Redemption and Disposal on the Group's financial position as at 30 June 2013 and its financial performance and cash flows for the year ended 31 December 2012 as if the transactions was completed on 30 June 2013 and had taken place at 1 January 2012 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited interim financial statements for the six months ended 30 June 2013, and the Group's financial performance and cash flows have been extracted by the directors from the Group's financial statements for the year ended 31 December 2012, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of the Redemption and Disposal on unadjusted financial information of the Group as if the Redemption and Disposal had occurred or been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Redemption and Disposal at 30 June 2013 or 1 January 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Hong Kong
Shiu Hong NG
Practising Certificate Number P03752

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction to unaudited pro forma financial information

The accompanying illustrative and unaudited pro forma consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows (the "Unaudited Pro Forma Financial Information") of the Group without the Zhong Ping Group (the "Remaining Group"), which has been prepared by the Directors on the basis of the notes set out below, is to illustrate the effect of the Redemption and Disposal, that is:

(i) the redemption of the Bonds of the Company under the Original Deed of Settlement and Supplemental Deed; and

(ii) the transfer of the Zhong Ping Shares from the Company to the Bondholder.

Terms used herein shall have the same meanings as defined in the Circular unless stated otherwise.

For the purpose of the Unaudited Pro Forma Financial Information, the Redemption and Disposal are presented as if they were completed on 30 June 2013 for the unaudited pro forma consolidated statement of financial position and had taken place at the commencement of the year ended 31 December 2012 for the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated financial statements of the Company as at 30 June 2013 extracted from the Company's published interim report for the six months ended 30 June 2013, adjusted as described below, as if the Redemption and Disposal were completed on 30 June 2013. The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Company for the year ended 31 December 2012 extracted from the Company's annual report for the year then ended, adjusted as described below, as if the Redemption and Disposal had taken place on 1 January 2012.

The pro forma adjustments as described below are (i) directly attributable to the Redemption and Disposal and not relating to other future events and decision and (ii) factually supportable based on the terms as stipulated in the Original Deed of Settlement and the Supplemental Deed.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules. It has been prepared by the Directors for illustrative purposes only.

The Unaudited Pro Forma Financial Information of the Remaining Group is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Unaudited Pro Forma Financial Information of the Remaining Group, it may not give a true picture of the actual financial position or results of operations of the Remaining Group that would have been attained had the Redemption and Disposal been completed on the specified dates indicated herein. Further, the Unaudited Pro Forma Financial Information of the Remaining Group does not purport to predict the future financial position or results of operations of the Remaining Group.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the Company's circular dated 11 October 2010 regarding the Original Deed of Settlement relating to the redemption of the Bonds, the unaudited financial information of the Zhong Ping Group as set out in Appendix II to the Circular, the historical financial information of the Group set out in the published annual report of the Company for the year ended 31 December 2012, the historical financial information of the Group set out in the published interim report of the Company for the six months ended 30 June 2013 and other financial information included elsewhere in this circular.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

The pro forma consolidated statement of financial position of the Remaining Group is prepared based on the consolidated statement of financial position of the Company as at 30 June 2013 extracted from the consolidated financial statements of the Company as set out in the published interim report of the Company for the six months ended 30 June 2013, and adjusted to reflect the effect of the Redemption and Disposal.

	The Group as at 30 June 2013	**Pro forma adjustments**		**The Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
Non-current assets				
Property, plant and equipment	118,722			118,722
Land use rights	31,694			31,694
Interest in an associate	6,066			6,066
Available-for-sale investments	9,230			9,230
	165,712			165,712
Current assets				
Inventories	34,976			34,976
Trade receivables	39,812			39,812
Other receivables, deposits and prepayments	116,532		(85,000)	31,532
Investments held for trading	2,560			2,560
Cash and cash equivalents	2,062	38,000	(37,000)	3,062
	195,942			111,942
Assets classified as held for sale	207,612		(207,612)	–
	403,554			111,942
Current liabilities				
Trade payables	8,709			8,709
Other payables and accruals	11,216		(9,234)	1,982
Customers' deposit	134			134
Convertible bonds	246,250		(246,250)	–
Other borrowing	303			303
	266,612			11,128
Liabilities associated with assets classified as held for sale	29,510		(29,510)	–
	296,122			11,128

	The Group as at 30 June 2013	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
Net current assets	107,432			100,814
Total assets less current liabilities	273,144			266,526
Non-current liabilities				
Loan from an independent third party	–	38,000		38,000
NET ASSETS	273,144			228,526
Equity				
Share capital	30,180			30,180
Reserves	209,059		(10,713)	198,346
Equity attributable to owners of the Company	239,239			228,526
Non-controlling interests	33,905		(33,905)	–
TOTAL EQUITY	273,144			228,526

(II) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

The pro forma consolidated statement of comprehensive income of the Remaining Group is prepared based on the audited consolidated statement of comprehensive income of the Company for the year ended 31 December 2012 extracted from the audited consolidated financial statements of the Company as set out in the published annual report of the Company for the year ended 31 December 2012, and adjusted to reflect the effects of the Redemption and Disposal.

	The Group as at 31 December 2012	**Pro forma adjustments**		**The Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 3)*	*(Note 4)*	
Turnover	39,192			39,192
Other income and gains and losses	6,494			6,494
Cost of sales	(44,136)			(44,136)
Staff costs, including directors' remuneration	(9,205)			(9,205)
Depreciation	(4,743)			(4,743)
Amortisation of land use rights	(764)			(764)
Impairment loss on property, plant and equipment	(31,975)			(31,975)
Impairment loss on trade receivables	(23,060)			(23,060)
Reversal of provision for impairment loss on prepayments	7,783			7,783
Loss on the Redemption and Disposal	–		(904)	(904)
Other operating expenses	(15,777)			(15,777)
Finance costs	(45)	(2,660)		(2,705)
Loss before income tax	(76,236)			(79,800)
Income tax	(314)			(314)
Loss for the year	(76,550)			(80,114)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	3,293			3,293
Exchange reserve realised on disposal of the Zhong Ping Group	–		(9,809)	(9,809)
Change in fair value of available-for-sale investments	784			784
	4,077			(5,732)
Total comprehensive income for the year	(72,473)			(85,846)

(III) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

The pro forma consolidated statement of cash flows of the Remaining Group is prepared based on the audited consolidated statement of cash flows of the Company for the year ended 31 December 2012 extracted from the audited consolidated financial statements of the Company as set out in the published annual report of the Company for the year ended 31 December 2012, and adjusted to reflect the effect of the Redemption and Disposal.

	The Group as at 31 December 2012	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 3)*	*(Note 4)*	
Operating activities				
Loss before income tax	(76,236)	(2,660)	(904)	(79,800)
Adjustments for:				
Depreciation	13,266			13,266
Amortisation of land use rights	764			764
Bank interest income	(49)			(49)
Investment income from unlisted investment funds	(165)			(165)
Finance costs	45	2,660		2,705
Fair value loss on investments held for trading	70			70
Loss on disposal of property, plant and equipment	9			9
Write-off of property, plant and equipment	165			165
Impairment loss on property, plant and equipment	31,975			31,975
Write down of inventories	3,126			3,126
Impairment loss on trade receivables	23,060			23,060
Reversal of provision for impairment loss on prepayments	(7,783)			(7,783)
Loss on the Redemption and Disposal	–		904	904
Operating loss before working capital changes	(11,753)			(11,753)
Increase in inventories	(14,992)			(14,992)
Decrease in trade receivables	20,482			20,482
Decrease in other receivables, deposits and prepayments	24,115			24,115
Increase in investments held for trading	(2,011)			(2,011)
Decrease in trade payables	(1,869)			(1,869)
Increase in other payables and accruals	259			259
Increase in customers' deposit	1,004			1,004
Effect of foreign exchange differences	1,138			1,138

	The Group as at 31 December 2012	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 3)*	*(Note 4)*	
Cash generated from operations	16,373			16,373
Income tax paid	(32)			(32)
Bank interest received	49			49
Net cash generated from operating activities	16,390			16,390
Investing activities				
Purchases of property, plant and equipment	(9,533)			(9,533)
Purchases of available-for-sale investments	(31,718)			(31,718)
Proceeds from disposal of property, plant and equipment	17			17
Investment income received	165			165
Net cash used in investing activities	(41,069)			(41,069)
Financing activities				
Proceeds from loan from an independent third party	–	38,000		38,000
Redemption of the convertible bonds	–		(37,000)	(37,000)
Proceeds from other borrowing	11,008			11,008
Repayment of other borrowing	(11,008)			(11,008)
Interest paid	(45)	(2,660)		(2,705)
Net cash used in financing activities	(45)			(1,705)
Net decrease in cash and cash equivalents	(24,724)			(26,384)
Cash and cash equivalents at beginning of year	31,540			31,540
Effect of foreign exchange rate changes	296			296
Cash and cash equivalents at end of year	7,112			5,452
Analysis of the balances of cash and cash equivalents				
Cash at bank and in hand	7,112			5,452

(IV) Notes to the unaudited pro forma financial information of the Remaining Group

1. The amounts of the Group as stated in the pro forma consolidated statement of financial position are extracted from the published interim report of the Company for the six months ended 30 June 2013.

2. The amounts of the Group as stated in the pro forma consolidated statement of comprehensive income and consolidated statement of cash flows are extracted from the published annual report of the Company for the year ended 31 December 2012.

3. Pursuant to the loan agreement dated 15 January 2014 entered into between the Company and an independent third party, Excel Sino Investments Limited (the "Lender"), the Lender agreed to grant a loan facility of up to HK$38,000,000 to the Company to finance the payment of the non-refundable deposit of HK$6,000,000 for entering into the Supplemental Deed and the fourth payment amount of RMB24,000,000 (equivalent to approximately HK$31,000,000) as stated in the Supplemental Deed. The loan bears interest at 7% per annum and the Company shall repay all the outstanding amount of principal, interests and all other payable amounts within two years from the drawdown date.

   For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Company will draw 100% of the facility of HK$38,000,000 on the date upon which the Supplemental Deed will be effective, subject to the satisfaction of the conditions as stipulated in the Supplemental Deed (the "Effective Date"). Accordingly, the Company will pay annual interest of HK$2,660,000 which will have a continuing effect on the Remaining Group.

4. Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agreed to pay a total of approximately HK$122,000,000 and transfer the Zhong Ping Shares to the Bondholder for the Redemption and Disposal. HK$85,000,000 was paid when the Original Deed of Settlement was entered into in September 2010 which the Company recorded as a prepayment as at 30 June 2013. A non-fundable deposit of HK$6,000,000 was paid on 15 January 2014. The balance of approximately HK$31,000,000 will be paid on the Effective Date.

The Redemption and Disposal will result in a loss of HK$904,000 to the Remaining Group calculated as follows:

	HK$'000	*HK$'000*
1 January 2012		
Assets of the Zhong Ping Group incorporated by the Group		207,612
Less: Liabilities of the Zhong Ping Group incorporated by the Group		(29,510)
		178,102
Less: Amount due to the Company eliminated on consolidation		(484)
Net assets of the Zhong Ping Group as at 1 January 2012		177,618
Total cash paid and payable		122,000
Total consideration for the Redemption and Disposal		299,618
Less: Carrying value of the Bonds	246,250	
Interest accrued on the Bonds written back	9,234	
Non-controlling interest of the Zhong Ping Group transferred to profit or loss	33,905	
Exchange reserve released on disposal of the Zhong Ping Group	9,809	
Amount due from the Zhong Ping Group written off	(484)	
		298,714
Loss on the Redemption and Disposal		904

Overall, the Redemption and Disposal will result in a decrease in equity attributable to owners of the Company of approximately HK$10,713,000, being the sum of the loss of HK$904,000 and exchange reserve released of HK$9,809,000.

The actual gain or loss on the Redemption and Disposal will be reassessed based on the values of the above components at the actual date of the transactions.

5. It is assumed that the expenses incurred for effecting the Redemption and Disposal are not significant.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, 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 and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

The approximate percentage of interests set out below is based on 482,880,984 Shares in issue as at the Latest Practicable Date.

Long position in the ordinary Shares of HK$0.0625 each in the Company as at the Latest Practicable Date:

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, there were no other shareholdings in the Company in which Directors were interested.

(b) Substantial shareholders' interests and short positions in the Share or underlying Share

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

The approximate percentage of interest set out below is based on 482,880,984 Shares in issue as at the Latest Practicable Date.

Long position in the underlying shares or debentures of the Company as at the Latest Practicable Date:

Name	Type of interests	Description of derivatives	Number of underlying shares can be converted	Approximate percentage of interests
Lehman Brothers (in liquidation)	Beneficial	The Bonds in the principal amount of HK$246,250,000	Nil *(Note)*	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 the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group as a whole.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors, controlling shareholders and any of their respective associates has 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.

4. LITIGATION AND CLAIMS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

Ms. Ma and Mr. Wong Pui Yiu, both executive Directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2014 and 1 February 2014 respectively. Mr. Pan Feng, executive Director, entered into a service contract with the Company for a term of two years commenced on 1 March 2014. They are subject to termination by either party giving not less than three months' written notice. These service contracts are exempt from the Shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules of the Stock Exchange.

Save as disclosed above, none of the Directors had service contract with the Company or any or its subsidiaries or associated companies which are not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions or advice which are contained in this circular.

Name	Qualification
BDO Limited	Certified public accountants

BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, BDO Limited did not have any shareholding, directly or indirectly, in any member or the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, BDO Limited did not have any direct or indirect interests in any assets which had been, since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

7. AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 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.

The audit committee chaired by Mr. Wan Tze Fan Terence ("**Mr. Wan**"), comprises two other members. Mr. Chung Chin Keung ("**Mr. Chung**") and Mr. Wang Xiao Bing ("**Mr. Wang**"), who are independent non-executive Directors and their biographies are as follows:

Mr. Wan, aged 49, joined the Group in March 2004. Mr. Wan holds a bachelor degree in commerce and a master degree in business administration. Mr. Wan has years of experience in accounting and financial management. He had worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountants of CPA Australia. Currently, he is an executive director of Sino Oil and Gas Holdings Limited, which is listed on the main board of the Stock Exchange.

Mr. Chung, aged 46, joined the Group in February 2008. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Financial Consultants and an associate member of The Institute of Chartered Accountants in England and Wales. He has more than 21 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited, a company listed on the main board of the Stock Exchange.

Mr. Wang, aged 46, joined the Group in March 2012. Mr. Wang holds a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in China. He has over 12 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of China and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

8. MATERIAL CONTRACTS

Save as the Supplemental Deed and the Loan Agreement, none of the contracts (not being contracts in the ordinary course of business) were entered into by members of the Group within two years preceding the date of this circular and ending on the Latest Practicable Date and are or may be material.

9. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its head office and principal place of business in Hong Kong is at Suite 1415, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) The compliance officer of the Company is Mr. Wong Pui Yiu.

(c) The company secretary of the Company is Mr. Wong Chun Sing. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(d) The Hong Kong branch share registrar of the Company is at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except Saturdays, Sundays and public holidays at the principal place of business of the Company from the date of this circular up to and including the date of the EGM, and will be displayed on the website of the Company at http://china-p-res.etnet.com.hk.

(i) the memorandum of association and articles of the association of the Company;

(ii) the 2011 and 2012 annual reports of the Company containing audited consolidated financial statements of the Group for the two years ended 31 December 2011 and 2012;

(iii) the 2013 interim report of the Company;

(iv) the report from BDO Limited in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(v) the report from BDO Limited in respect of the financial information of the Zhong Ping Group, the text of which is set out in Appendix II to this circular;

(vi) the written consents referred to under the paragraph headed "Expert and consent" in this appendix;

(vii) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(viii) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 19 and/or Chapter 20 of the GEM Listing Rules which have been issued by the Company since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up); and

(ix) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of China Primary Resources Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") will be held at Suite 1415, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 28 March 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the Supplemental Deed defined and described in the circular (the "**Circular**") of the Company dated 12 March 2014, a copy of the Supplemental Deed marked "**A**" being tabled before the Meeting and initialled by the chairman of the Meeting for identification purpose, dated 15 January 2014 entered into among the Company, the Bondholder (as defined in the Circular) and the Liquidators (as defined in the Circular) for the redemption of the Bonds (as defined in the Circular) in relation to, among other matters, the Company shall pay to the Bondholder (i) a non-refundable Deposit (as defined in the Circular) in the sum of HK$6 million; (ii) an amount in HK$ that is equivalent to RMB24,000,000; and (iii) transfer Zhong Ping Shares (as defined in the Circular) to the Bondholder, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him or her to be incidental to, ancillary to or in connection with the matters contemplated under the Supplemental Deed (as defined in the Circular)."

By order of the Board
China Primary Resources Holdings Limited
MA Zheng
Chairman

Hong Kong, 12 March 2014

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1415
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.