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CHINA METAL RESOURCES HOLDINGS LIMITED

中國金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8071)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

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

*This announcement, for which the directors (“**Directors**”) of China Metal Resources Holdings Limited (“**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2009 was approximately HK\$2,057,000, which was approximately 162.5% of the amount of that in 2008.
- Loss attributable to owners of the Company was approximately HK\$365,512,000 for the year ended 31 December 2009, which was approximately 7.3 times of that of last year.
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: Nil).

RESULTS

The board of Directors (“**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2009 (“**year**”) together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	4	2,057	1,266
Cost of sales		<u>(1,867)</u>	<u>(980)</u>
Gross profit		190	286
Other operating income	5	71	618
Selling and distribution expenses		–	(114)
Administrative expenses		(22,105)	(18,962)
Impairment of goodwill		(127,400)	–
Impairment of supply contract		(287,020)	–
Impairment loss of prepaid lease payment		–	(4,442)
Impairment loss of property, plant and equipment		–	(447)
Impairment loss of inventories		–	(65)
Other operating expenses		(970)	(596)
Finance costs	6	<u>(21,280)</u>	<u>(26,523)</u>
Loss before income tax	7	(458,514)	(50,245)
Income tax credit	8	<u>44,244</u>	<u>–</u>
Loss for the year		<u>(414,270)</u>	<u>(50,245)</u>

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
Other comprehensive income			
Exchange differences on translating foreign operations		<u>(4,722)</u>	<u>(38)</u>
Other comprehensive income for the year, net of tax		<u>(4,722)</u>	<u>(38)</u>
Total comprehensive income for the year		<u>(418,992)</u>	<u>(50,283)</u>
Loss attributable to:			
Owners of the Company		(365,512)	(50,119)
Non-controlling interests		<u>(48,758)</u>	<u>(126)</u>
		<u>(414,270)</u>	<u>(50,245)</u>
Total comprehensive income attributable to:			
Owners of the Company		(370,167)	(50,157)
Non-controlling interests		<u>(48,825)</u>	<u>(126)</u>
		<u>(418,992)</u>	<u>(50,283)</u>
Loss per share for loss attributable to	9		
owners of the Company			
– Basic and diluted		<u>(11.6 HK cents)</u>	<u>(2.8 HK cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		277	392
Prepaid lease payment		–	–
Goodwill	10	1,002,198	1,134,000
Other intangible assets	11	22,158	308,385
		<u>1,024,633</u>	<u>1,442,777</u>
Current assets			
Trade receivables	12	41	114
Prepayments, deposits and other receivables		539	6,954
Pledged deposit		209	206
Cash and bank balances		11,422	889
		<u>12,211</u>	<u>8,163</u>
Property classified as held for sale		–	12,597
		<u>12,211</u>	<u>20,760</u>
Current liabilities			
Other payables and accrued expenses		1,851	4,313
Current tax liabilities		11	–
		<u>1,862</u>	<u>4,313</u>
Net current assets		<u>10,349</u>	<u>16,447</u>
Total assets less current liabilities		<u>1,034,982</u>	<u>1,459,224</u>
Non-current liabilities			
Convertible bonds	13	–	319,150
Deferred tax liabilities		–	44,257
		<u>–</u>	<u>363,407</u>
Net assets		<u>1,034,982</u>	<u>1,095,817</u>
Capital and reserves			
Share capital	14	3,626	2,797
Reserves		1,029,513	1,042,352
		<u>1,033,139</u>	<u>1,045,149</u>
Equity attributable to owners of the Company		1,033,139	1,045,149
Non-controlling interests		1,843	50,668
Total equity		<u>1,034,982</u>	<u>1,095,817</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to owners of the Company											
	Share capital HK\$000	Share premium account HK\$000	Capital redemption reserve HK\$000	Convertible bond equity reserve HK\$000	Share option reserve HK\$000	Translation reserve HK\$000	Warrant reserve HK\$000	Other reserve HK\$000	Accumulated losses HK\$000	Subtotal HK\$000	Non-controlling interests HK\$000	Total HK\$000
Balance at 1 January 2008	1,181	122,425	–	–	9,772	(39)	259	–	(44,175)	89,423	–	89,423
Loss for the year	–	–	–	–	–	–	–	–	(50,119)	(50,119)	(126)	(50,245)
Other comprehensive income for the year	–	–	–	–	–	(38)	–	–	–	(38)	–	(38)
Total comprehensive income for the year	–	–	–	–	–	(38)	–	–	(50,119)	(50,157)	(126)	(50,283)
Issuance of new shares, net of share issue expense	217	46,130	–	–	–	–	–	–	–	46,347	–	46,347
Recognition of equity-settled share-based payments	–	–	–	–	5,068	–	–	–	–	5,068	–	5,068
Proceeds from shares issued under share option scheme	5	650	–	–	(185)	–	–	–	–	470	–	470
Proceeds from shares issued upon exercise of warrants	133	29,377	–	–	–	–	(259)	–	–	29,251	–	29,251
Issuance of convertible bonds	–	–	–	333,772	–	–	–	–	–	333,772	–	333,772
Exercise of convertible bonds	1,262	808,342	–	(218,090)	–	–	–	–	–	591,514	–	591,514
Repurchase of shares	(1)	(490)	1	–	–	–	–	–	–	(490)	–	(490)
Additional interest in a subsidiary acquired by the Group	–	–	–	–	–	–	–	(49)	–	(49)	–	(49)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	50,794	50,794
Balance at 31 December 2008	2,797	1,006,434	1	115,682	14,655	(77)	–	(49)	(94,294)	1,045,149	50,668	1,095,817
	Equity attributable to owners of the Company											
	Share capital HK\$000	Share premium account HK\$000	Capital redemption reserve HK\$000	Convertible bond equity reserve HK\$000	Share option reserve HK\$000	Translation reserve HK\$000	Other reserve HK\$000	Accumulated losses HK\$000	Subtotal HK\$000		Non-controlling interests HK\$000	Total HK\$000
Balance at 1 January 2009	2,797	1,006,434	1	115,682	14,655	(77)	(49)	(94,294)	1,045,149		50,668	1,095,817
Loss for the year	–	–	–	–	–	–	–	(365,512)	(365,512)		(48,758)	(414,270)
Other comprehensive income for the year	–	–	–	–	–	(4,655)	–	–	(4,655)		(67)	(4,722)
Total comprehensive income for the year	–	–	–	–	–	(4,655)	–	(365,512)	(370,167)		(48,825)	(418,992)
Recognition of equity-settled share-based payments	–	–	–	–	9,672	–	–	–	9,672		–	9,672
Proceeds from shares issued under share option scheme	166	17,761	–	–	(5,841)	–	–	–	12,086		–	12,086
Exercise of convertible bonds	663	451,162	–	(114,603)	–	–	–	–	337,222		–	337,222
Redemption of convertible bonds	–	–	–	(1,079)	–	–	–	256	(823)		–	(823)
Balance at 31 December 2009	3,626	1,475,357*	1*	–*	18,486*	(4,732)*	(49)*	(459,550)*	1,033,139		1,843	1,034,982

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK\$1,029,513,000 (2008: HK\$1,042,352,000) in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost convention except as otherwise stated in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (revised in 2007) Presentation of Financial Statements

HKAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, HKAS 1 (2007) has required the presentation of a third statement of financial position as at 1 January 2008 because the Group has applied some accounting policies retrospectively.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (see note 3).

Improving Disclosure about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Standards and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRS issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedge Items ¹
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁷
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The Group is in the process of making an assessment of the impact of the other new and revised standards, amendments and interpretation upon initial application. So far, it has concluded that the other new and revised standards, amendments and interpretation are unlikely to have significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- (a) Staff secondment business – this segment represents the staff secondment to generate income from the staff performing system integration for the external party;
- (b) Trading of computer hardware and software business – this segment represents the trading of computer hardware and software in the People's Republic of China (“**PRC**”); and
- (c) Exploration of mines business – this segment represents the exploration of gold mines in the PRC.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>164</u>	<u>620</u>	<u>1,893</u>	<u>646</u>	<u>-</u>	<u>-</u>	<u>2,057</u>	<u>1,266</u>
Segment (loss)/profit	(76)	(184)	(149)	491	(437,694)	(27,120)	(437,919)	(26,813)
Interest and other income							69	48
Central administration costs							(20,664)	(23,445)
Finance costs							<u>-</u>	<u>(35)</u>
Loss before income tax							<u>(458,514)</u>	<u>(50,245)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

Segment assets and liabilities

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	51	223	2,713	72	1,024,443	1,446,938	1,027,207	1,447,233
Corporate and unallocated assets							<u>9,637</u>	<u>16,304</u>
Consolidated assets							<u>1,036,844</u>	<u>1,463,537</u>
Segment liabilities	80	103	307	285	79	45,797	466	46,185
Corporate and unallocated liabilities							<u>1,396</u>	<u>321,535</u>
Consolidated liabilities							<u>1,862</u>	<u>367,720</u>

Other segment information

	Staff secondment		Trading of computer hardware and software		Exploration of mines		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	–	12	4	2	2	1	6	15
Unallocated depreciation							<u>120</u>	<u>441</u>
Total depreciation							<u>126</u>	<u>456</u>
Amortisation of prepaid lease payment							–	299
Loss on disposal of property, plant and equipment							–	364
Impairment loss of property, plant and equipment							–	447
Impairment loss of prepaid lease payment							–	4,442
Loss on redemption of convertible bonds	–	–	–	–	970	–	970	–
Written off on property, plant and equipment	–	–	–	–	–	232	–	232
Impairment loss of goodwill	–	–	–	–	127,400	–	127,400	–
Impairment loss of supply contract	–	–	–	–	287,020	–	287,020	–
Impairment loss of inventories	–	65	–	–	–	–	–	65
Additions to non-current assets	–	–	11	9	1,086	308,409	1,097	308,418
Unallocated							<u>1,406</u>	<u>116</u>
Total additions to non-current assets							<u>2,503</u>	<u>308,534</u>

Geographical information

The Group's operations are located in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2009	2008	2009	2008
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Hong Kong	164	620	259	379
PRC	1,893	646	1,024,374	1,442,398
	2,057	1,266	1,024,633	1,442,777

4. REVENUE

Revenue represents the invoiced value of goods supplied and services rendered arising from the principal activities of the Group during the year.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Staff secondment income	164	620
Trading of computer hardware and software income	1,893	646
	2,057	1,266

5. OTHER OPERATING INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank interest income	8	68
Gain on disposal of a subsidiary	45	—
Gain on disposal of property classified as held for sale	18	—
Write back of amount due to minority shareholders of subsidiaries	—	550
	71	618

6. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Interest on:		
Loans from a shareholder wholly repayable within one year	–	35
Convertible bonds	<u>21,280</u>	<u>26,488</u>
	<u>21,280</u>	<u>26,523</u>

7. LOSS BEFORE INCOME TAX

	2009 HK\$'000	2008 HK\$'000
Loss before income tax is arrived at after charging:		
Cost of goods sold	1,723	448
Cost of services provided (<i>Note (i)</i>)	144	532
Auditors' remuneration	350	550
Employee benefit expense (excluding Directors' emoluments) (<i>Note (ii)</i>)	3,348	5,531
Directors' emoluments	<u>3,940</u>	<u>4,848</u>
	<u>7,288</u>	<u>10,379</u>
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	648	48
– Computer server	–	2
– Colour printer	17	4
Net foreign exchange loss	5	12
Depreciation of property, plant and equipment	126	456
Amortisation of prepaid lease payment	–	299
Loss on redemption of convertible bonds (<i>Note (iii)</i>)	970	–
Loss on disposal of property, plant and equipment (<i>Note (iii)</i>)	–	364
Written off on property, plant and equipment (<i>Note (iii)</i>)	<u>–</u>	<u>232</u>

Notes:

- (i) Cost of services provided included HK\$144,000 (2008: HK\$530,000) relating to employee benefit expense. This amount is included in both “Cost of services provided” and “Employee benefit expense” disclosed above.
- (ii) Employee benefit expense (excluding Directors' emoluments) included equity-settled share option expense of HK\$1,184,000 (2008: HK\$2,957,000) disclosed above.

- (iii) The loss on redemption of convertible bonds, loss on disposal of property, plant and equipment and written off on property, plant and equipment are included in other operating expenses.

8. INCOME TAX CREDIT

Income tax recognised in profit or loss

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	13	–
Deferred tax:		
Current year	<u>(44,257)</u>	<u>–</u>
Total income tax recognised in profit or loss	<u>(44,244)</u>	<u>–</u>

Hong Kong Profits Tax had not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2009 (2008: Nil).

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% (for both years).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$365,512,000 (2008: HK\$50,119,000) and on the weighted average number of 3,151,654,000 (2008: 1,803,964,000) ordinary shares of the Company in issue during the year.

Diluted result per share for the years ended 31 December 2009 and 2008 have not been disclosed as the share options, convertible bonds and warrants outstanding during these years were anti-dilutive.

10. GOODWILL

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
COST		
Balance at beginning of year	1,134,000	–
Acquisition of subsidiaries	–	1,134,000
Effect of foreign currency exchange differences	<u>(4,402)</u>	<u>–</u>
Balance at end of year	<u>1,129,598</u>	<u>1,134,000</u>
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of year	–	–
Impairment losses recognised in the year	<u>(127,400)</u>	<u>–</u>
Balance at end of year	<u>(127,400)</u>	<u>–</u>
CARRYING AMOUNTS		
Balance at end of year	<u><u>1,002,198</u></u>	<u><u>1,134,000</u></u>

11. OTHER INTANGIBLE ASSETS

	Exploration and evaluation assets <i>HK\$'000</i>	Supply contract <i>HK\$'000</i>	Total <i>HK\$'000</i>
CARRYING AMOUNTS			
Balance at 1 January 2008	–	–	–
Acquisition of subsidiaries	21,150	287,020	308,170
Additions	<u>215</u>	<u>–</u>	<u>215</u>
Balance at 31 December 2008	21,365	287,020	308,385
Additions	1,086	–	1,086
Impairment of supply contract	–	(287,020)	(287,020)
Effect of foreign currency exchange differences	<u>(293)</u>	<u>–</u>	<u>(293)</u>
Balance at 31 December 2009	<u><u>22,158</u></u>	<u><u>–</u></u>	<u><u>22,158</u></u>

12. TRADE RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	<u>41</u>	<u>114</u>

The Group allows a credit period of 45 days (2008: 30 days to 90 days) to its trade customers. The following is an ageing analysis of net trade receivables at the end of the reporting period:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-30 days	13	14
31-60 days	14	14
61-90 days	<u>14</u>	<u>86</u>
	<u>41</u>	<u>114</u>

The ageing analysis of trade receivables that are not impaired is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Neither past due nor impaired	27	114
Past due but not impaired	<u>14</u>	<u>—</u>
	<u>41</u>	<u>114</u>

13. CONVERTIBLE BONDS

The convertible bonds recognised in the statement of financial position were calculated as follows:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net carrying amounts on initial recognition	884,176	333,772	1,217,948
Imputed interest expenses	26,488	—	26,488
Arising from exercise of convertible bonds	<u>(591,514)</u>	<u>(218,090)</u>	<u>(809,604)</u>
Net carrying amounts at 31 December 2008	319,150	115,682	434,832
Imputed interest expense	21,280	—	21,280
Redemption	(3,207)	(1,079)	(4,286)
Arising from exercise of convertible bonds	<u>(337,223)</u>	<u>(114,603)</u>	<u>(451,826)</u>
Net carrying amounts at 31 December 2009	<u>—</u>	<u>—</u>	<u>—</u>

14. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

		Number of shares of HK\$0.0005 each		Number of shares of HK\$0.001 each		Share capital	
		2009	2008	2009	2008	2009	2008
	Notes	'000	'000	'000	'000	HK\$'000	HK\$'000
Authorised:							
Ordinary shares at beginning of year		-	200,000,000	-	-	100,000	100,000
Share Consolidation	(i)	-	(200,000,000)	100,000,000	100,000,000	-	-
Ordinary shares at end of year		-	-	100,000,000	100,000,000	100,000	100,000

		Number of shares of HK\$0.0005 each		Number of shares of HK\$0.001 each		Share capital	
		2009	2008	2009	2008	2009	2008
	Notes	'000	'000	'000	'000	HK\$'000	HK\$'000
Issued and fully paid:							
Ordinary shares at beginning of year		-	2,361,711	2,796,500	-	2,797	1,181
Exercise of share options	(iii)	-	9,900	165,930	-	166	5
Exercise of warrants	(iv)	-	265,909	-	-	-	133
Share Consolidation	(i)	-	(3,871,000)	-	1,935,500	-	-
Exercise of convertible bonds	(v)	-	803,000	663,425	861,000	663	1,262
Repurchase of shares	(vi)	-	(2,670)	-	-	-	(1)
Issuance of Consideration Shares	(ii)	-	433,150	-	-	-	217
Ordinary shares at end of year		-	-	3,625,855	2,796,500	3,626	2,797

Notes:

(i) Share Consolidation

On 20 October 2008, the shareholders of the Company approved the consolidation of every two ordinary shares of HK\$0.0005 each in the then issued and unissued share capital of the Company into one consolidated share of HK\$0.001 each (“**Consolidated Share**”) which became effective on 21 October 2008 (“**Share Consolidation**”), such that the authorised share capital of the Company has been changed from HK\$100,000,000 comprising 200,000,000,000 shares of HK\$0.0005 each to HK\$100,000,000 comprising 100,000,000,000 Consolidated Shares of HK\$0.001 each and the issued share capital of the Company has been adjusted from 3,871,000,494 shares to 1,935,500,247 Consolidated Shares.

(ii) Issuance of new shares

On 26 August 2008, 433,150,000 shares of HK\$0.0005 each (“**Consideration Shares**”) were issued to Mr. Leung Ngan Man (“**Mr. Leung**”) as part of the consideration for the mine acquisition. The 433,150,000 Consideration Shares were recorded at HK\$0.107 each, being the published share price available at the date of completion of the mine acquisition. The 433,150,000 Consideration Shares of HK\$0.0005 each rank pari passu in all respect with the existing issued shares of the Company.

(iii) Exercise of share options

On 18 February 2008, 9,900,000 ordinary shares of HK\$0.0005 each were issued pursuant to the subscription rights attaching to the share options at an exercise price of HK\$0.0475 per share. Following the subdivision of each share of HK\$0.01 into 20 subdivided shares of HK\$0.0005 each with effect from 23 August 2007 and the Share Consolidation with effect from 21 October 2008, the total number of share options and the exercise price had been adjusted accordingly.

Share options were exercised by optionholders during the year ended 31 December 2009 to subscribe for a total of 165,930,000 shares of HK\$0.001 each by payment of subscription monies of approximately HK\$12,086,000, of which approximately HK\$166,000 was credited to share capital and the balance of approximately HK\$11,920,000 was credited to the share premium account.

(iv) Exercise of warrants

During the year ended 31 December 2008, 265,909,088 warrants were exercised for shares of HK\$0.0005 each with an exercise price of HK\$0.11 per warrant.

(v) Exercise of convertible bonds

During the year ended 31 December 2008, 803,000,000 ordinary shares of HK\$0.0005 each and 861,000,000 Consolidated Shares of HK\$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.80 per share.

During the year ended 31 December 2009, 663,425,000 Consolidated Shares of HK\$0.001 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.80 per share.

(vi) Repurchase of shares

An ordinary resolution was passed on 22 August 2007 to permit the repurchase of issued shares of the Company. The Company had repurchased 1,500,000 and 1,170,000 shares of HK\$0.0005 each on 18 March 2008 and 20 March 2008 respectively on the Stock Exchange at a consideration of approximately HK\$490,000. The cancellation of these shares subsequently completed on 9 April 2008.

POST BALANCE SHEET EVENTS

On 15 January 2010, a resolution regarding the appointment of HLB Hodgson Impey Cheng (“**HLB**”) as the auditors of the Group was passed by the shareholders of the Company at the extraordinary general meeting. HLB will hold office until the conclusion of the next annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year, the Group’s audited revenue and the loss attributable to owners of the Company were approximately HK\$2,057,000 and HK\$365,512,000 respectively, representing an increase of approximately HK\$791,000 and an increase of approximately HK\$315,393,000 respectively as compared with the audited revenue of approximately HK\$1,266,000 and the loss attributable to owners of the Company of approximately HK\$50,119,000 for the year ended 31 December 2008. Such increase of revenue was due to a significant rise in the revenue of the business segment of trading of computer hardware and software.

The main reason for the increase in the loss attributable to owners of the Company was due to: (i) the impairment of goodwill of HK\$127,400,000; (ii) the impairment of supply contract of HK\$287,020,000; and (iii) the imputed interest expenses on convertible bonds of HK\$21,280,000. Details will be further described in the annual report of the Company.

Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: Nil).

Business review

The Group is continuously developed in its staff secondment business, trading of computer hardware and software and exploration and refining mineral resources businesses.

Since the completion of the mine acquisition on 26 August 2008 (Details of which are set out in the announcement of the Company dated 23 January 2008 and the circular of the Company dated 13 May 2008), we have undertaken extensive exploration activities at our gold mine in Yunnan Province of the PRC.

Due to the effect from global financial turmoil and the economic downturn, the demand for trading of computer hardware and software products has been affected. However, as the information technology (“**IT**”) is in need in the PRC market, the Company set up a new office in Dalian of the PRC to expand the development of the IT sector. The management adopted resolute measures to ensure stable operation and growth, which included initiatives to safeguard cash flow and enhance the turnover.

Investments and disposal of property

1. On 12 September 2008, the Company entered into a conditional subscription agreement (“**Subscription Agreement**”) with 北京中冶投資有限公司 (Beijing China Metallurgy Investment Limited*), pursuant to which the Company had agreed to allot and issue an aggregate of 90,000,000 Consolidated Shares at the subscription price of HK\$0.50 per subscription share (“**Subscription**”). (Details of the Subscription are set out in the Company’s announcement dated 17 September 2008). The Subscription Agreement was subsequently terminated due to the unfulfillment of the conditions of the Subscription within one year after execution of the Subscription Agreement.
2. On 12 January 2009, 雲南省核工業209地質大隊 (Geological Brigade 209 of the Nuclear Industry of Yunnan Province*) (“**PRC Partner**”) and 雲南西部礦業有限公司 (Yunnan Xibu Mining Company Limited*) (“**CJV**”), an indirect non wholly-owned subsidiary of the Company, entered into an agreement (“**Agreement**”), pursuant to which the CJV has conditionally agreed to pay up the additional amount of the registered capital of 瀘西市核工業209芒市金礦 (Luxi City Nuclear Industry 209 Mangshi Gold Mine*), i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160) (“**Investment**”) (Details of the Investment are included in the Company’s announcement dated 14 January 2009).

On 31 July 2009, the PRC Partner and the CJV terminated the Agreement and the relevant supplemental agreement with effect from the date mentioned above (Details of the termination of the Agreement are included in the Company’s announcement dated 31 July 2009).

3. On 27 February 2009, the disposed of a property located in Hong Kong at a selling price of HK\$12,775,000 (“**Disposal**”) was completed (Details of the Disposal are set out in the Company’s announcement dated 18 December 2008 and the circular of the Company dated 8 January 2009).

* *unofficial English translation*

Prospect

While the economic landscape still look challenging for the financial year 2009/10, the Company will continue to reinforce fundamental management and commit strong resources in mining exploration and IT sector’s development. In face of intense market competition, the Company will continue to pursue strategic transformation so as to seeking new investment opportunities in other areas to diversify the business with the best return for the shareholders of the Company.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. During the year, the following persons served as the members of the Audit Committee:

Dr. Leung Wai Cheung

Mr. Gao Shikui (appointed on 4 May 2009)

Mr. Cai Wei Lun (appointed on 11 August 2009)

Mr. Chan Sing Fai (retired on 9 April 2009)

Mr. Liu Jia Qing (resigned on 12 May 2009)

The Audit Committee has three members comprising the three independent non-executive Directors. As at the date of this announcement, the Audit Committee comprises Dr. Leung Wai Cheung (Chairman of the Audit Committee), Mr. Gao Shikui and Mr. Cai Wei Lun.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. During the year, the Audit Committee held four meetings. The annual results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and the legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (“**Code**”) contained in Appendix 15 to the GEM Listing Rules except the following:

1. The appointment of the chief executive officer of the Company remains outstanding. The Company is still looking for a suitable candidate to fill the vacancy in order to comply with the Code on Corporate Governance Practices;
2. Following the retirement of Mr. Chan Sing Fai on 9 April 2009 and up to 4 May 2009, the date on which Mr. Gao Shikui was appointed as an independent non-executive Director and a member of the Audit Committee, the number of independent non-executive Directors and Audit Committee members fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively; and

3. Following the resignation of Mr. Liu Jia Qing on 12 May 2009 and up to 11 August 2009, the date on which Mr. Cai Wei Lun was appointed as an independent non-executive Director and a member of the Audit Committee, the number of independent non-executive Directors and Audit Committee members fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively.

As at the date of this announcement, the Company has complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules.

A Corporate Governance Report will be included in the annual report to be published by the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

By Order of the Board
China Metal Resources Holdings Limited
Ng Kwok Chu, Winfield
Executive Director

Hong Kong, 11 February 2010

As at the date of this announcement, the executive Directors are Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; and the independent non-executive Directors are Dr. Leung Wai Cheung, Mr. Gao Shikui and Mr. Cai Wei Lun.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of seven (7) days from the date of its publication and on the Company's website at www.cmr8071.com.