



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

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

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

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*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

- The unaudited revenue of the Group for the three months and nine months ended 30 September 2009 were approximately HK\$520,000 and HK\$1,095,000 respectively, which increased by approximately 201% and decreased by approximately 1.35% as compared with the amount of that for the respective corresponding period in 2008.
- The Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK\$229,306,000 for the nine months ended 30 September 2009, which increased by approximately 888% as compared with the amount of that for the corresponding period in 2008.
- The unaudited loss per share for loss attributable to equity holders of the Company was approximately HK7.6 cents for the nine months ended 30 September 2009.

RESULTS

The board of Directors (“**Board**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2009 together with the comparative figures for the corresponding periods in 2008 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2009

| | | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|-----------------|-----------------------------------|-----------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 3 | 520 | 173 | 1,095 | 1,110 |
| Cost of sales | | (484) | (144) | (1,024) | (850) |
| Gross profit | | 36 | 29 | 71 | 260 |
| Other operating income | | 49 | 5 | 53 | 505 |
| Selling and distribution expenses | | – | – | – | (113) |
| Administrative expenses | | (2,888) | (5,656) | (15,298) | (14,238) |
| Other operating expenses | | (287,442) | – | (287,442) | – |
| Operating loss | | (290,245) | (5,622) | (302,616) | (13,586) |
| Finance costs | 4 | (1,691) | (9,589) | (19,653) | (9,623) |
| Loss before income tax | 5 | (291,936) | (15,211) | (322,269) | (23,209) |
| Income tax credits | 6 | 44,257 | – | 44,257 | – |
| Loss for the period | | (247,679) | (15,211) | (278,012) | (23,209) |
| Other comprehensive income, including reclassification adjustments | | | | | |
| Exchange loss on translation of financial statements of foreign operations | | (79) | (1) | (439) | (25) |
| Total comprehensive income for the period (net of tax) | | (247,758) | (15,212) | (278,451) | (23,234) |
| Loss for the period attributable to: | | | | | |
| Equity holders of the Company | | (199,077) | (15,211) | (229,306) | (23,209) |
| Non-controlling interests | | (48,602) | 17 | (48,706) | 17 |
| | | (247,679) | (15,194) | (278,012) | (23,192) |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | (199,156) | (15,229) | (229,745) | (23,251) |
| Non-controlling interests | | (48,602) | 17 | (48,706) | 17 |
| | | (247,758) | (15,212) | (278,451) | (23,234) |
| Loss per share for loss attributable to equity holders of the Company | | | | | |
| – Basic | 7 | (HK5.7 cents) | (HK1.0 cent) | (HK7.6 cents) | (HK1.8 cents) |
| – Diluted | | N/A | N/A | N/A | N/A |

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated statement of comprehensive income of the Group for the three months and nine months ended 30 September 2009 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2009.

- HKAS 1 (Revised 2007) Presentation of financial statement
- HKAS 23 (Revised) Borrowing costs
- HKFRS 1 and HKAS 27 (Amendment) Cost of an investment in a subsidiary, jointly controlled entity or an associate
- HKFRS 2 (Amendment) Share-based payment – vesting conditions and cancellations
- HKFRS 8 Operating segments
- HK(IFRIC) – Int 15 Agreements for the construction of real estate
- Amendment to HK(IFRIC) – Int 9 and HKAS 39 Embedded derivatives
- Various – annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and revised HKFRSs has had no material effect on the Group’s result and financial position.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange loss/gain on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparative have been restated on a basis consistent with the new standard.

3. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold and services rendered arising from the principal activities of the Group after elimination of all significant intra-group transactions.

4. FINANCE COSTS

| | Three months ended 30 September 2009 (Unaudited) HK\$'000 | | Nine months ended 30 September 2009 (Unaudited) HK\$'000 | |
|--|---|---------------------|--|---------------------|
| | 2008 (Unaudited) HK\$'000 | | 2008 (Unaudited) HK\$'000 | |
| Interest charges on financial liabilities stated at amortised cost: | | | | |
| – Loans from Sun Wah Net Investment Limited wholly repayable within one year | – | – | – | 34 |
| – Convertible bonds | <u>1,691</u> | <u>9,589</u> | <u>19,653</u> | <u>9,589</u> |
| | <u>1,691</u> | <u>9,589</u> | <u>19,653</u> | <u>9,623</u> |

5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting) the followings items:

| | (Unaudited) Three months ended 30 September 2009 HK\$'000 | | (Unaudited) Nine months ended 30 September 2009 HK\$'000 | |
|--|---|----------|--|----------|
| | 2008 HK\$'000 | | 2008 HK\$'000 | |
| Crediting: | | | | |
| Bank interest income on financial assets stated at amortised cost | (2) | (5) | (6) | (51) |
| Gain on disposal of a subsidiary | <u>(45)</u> | <u>—</u> | <u>(45)</u> | <u>—</u> |
| Charging: | | | | |
| Cost of goods sold | 468 | — | 916 | 428 |
| Cost of services provided* | 16 | 144 | 108 | 422 |
| Auditors' remuneration | 105 | 90 | 319 | 270 |
| Depreciation | 35 | 122 | 94 | 365 |
| Amortisation of prepaid lease payments | — | 78 | — | 234 |
| Employee benefit expense (excluding Directors' emoluments): | | | | |
| – Wages and salaries* | 579 | 582 | 1,807 | 1,742 |
| – Pension scheme contributions (MPF) | 11 | 16 | 36 | 56 |
| – Employee share options benefits | — | 5,068 | 5,842 | 5,068 |
| Directors' emoluments | 864 | 855 | 2,592 | 1,601 |
| Minimum lease payments paid under operating lease in respect of: | | | | |
| – Land and buildings | 174 | 11 | 416 | 34 |
| – Computer server | — | — | — | 2 |
| Loss on redemption of convertible bonds** | 422 | — | 422 | — |
| Impairment loss of supply contract** | <u>287,020</u> | <u>—</u> | <u>287,020</u> | <u>—</u> |

* Cost of services provided for the three months and nine months ended 30 September 2009 included HK\$16,000 and HK\$108,000 respectively relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

** Those are included in other operating expenses.

6. INCOME TAX CREDITS

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months and nine months ended 30 September 2009 and the corresponding periods in 2008.

Profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries either have the losses brought forward to wholly effect the assessable profits in the respective jurisdictions or they did not generate any assessable profits in the respective jurisdictions during the three months and nine months ended 30 September 2009 and the corresponding periods in 2008.

As at 31 December 2008, the deferred tax liability of HK\$44,257,000 arose from the fair value adjustments of the supply contract upon acquisition of subsidiaries. During the three months and nine months ended 30 September 2009, as the related supply contract has been impaired, such deferred tax liability has been credited to the unaudited consolidated statement of comprehensive income.

The Group did not have any significant unprovided deferred tax liabilities as at 30 September 2009 and 31 December 2008.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company during the three months and nine months ended 30 September 2009 of approximately HK\$199,077,000 and HK\$229,306,000 respectively (three months and nine months ended 30 September 2008: approximately HK\$15,211,000 and HK\$23,209,000 respectively) and the weighted average number of approximately 3,503,848,000 ordinary shares of the Company in issue during the three months ended 30 September 2009 and approximately 3,031,405,000 ordinary shares of the Company in issue during the nine months ended 30 September 2009 (three months and nine months ended 30 September 2008: 1,454,883,943 and 1,304,333,103 ordinary shares of the Company).

Diluted loss per share for the three months and nine months ended 30 September 2009 and that for the corresponding periods in 2008 have not been disclosed as the warrants, share options and convertible bonds outstanding, if any, during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

8. OTHER INTANGIBLE ASSETS – SUPPLY CONTRACT

Details of the terms of the supply contract are set out in the Company's annual report for the year ended 31 December 2008 dated 5 March 2009.

For the purposes of impairment reviews, the Group appointed an independent professional valuer to perform a valuation of supply contract as at 30 September 2009. By reference to the valuation result, the Directors decided to make an impairment loss for the supply contract of HK\$287,020,000 for the nine months ended 30 September 2009 (2008: nil).

9. CONVERTIBLE BONDS

Details of the terms of the convertible bonds are set out in the Company's annual report for the year ended 31 December 2008 dated 5 March 2009.

On 30 June 2009, 544,000,000 shares were issued upon exercise of convertible bonds.

On 4 September 2009, the Company has requested Mr. Leung Ngai Man, the bondholder and the executive Director, for early redemption of 6,250,000 convertible bonds at a consideration of HK\$5,000,000 pursuant to the terms and conditions of the convertible bonds. The difference between the redemption amount and the total carrying amounts of liability component and equity component amounting to approximately HK\$422,000 has been charged to the unaudited consolidated statement of comprehensive income and amounting to approximately HK\$291,000 has been charged to the reserves, respectively.

Imputed interest expenses of approximately HK\$19,653,000 has been recognised in the unaudited consolidated statement of comprehensive income in respect of the convertible bonds for the nine months ended 30 September 2009.

As at 30 September 2009, the carrying amount of the liability component at amortised cost was approximately HK\$61,746,000 (2008: HK\$319,150,000).

10. RESERVES

| | Share premium account (Unaudited) HK\$'000 | Capital redemption reserve (Unaudited) HK\$'000 | Convertible bond equity reserve (Unaudited) HK\$'000 | Employee compensation reserve (Unaudited) HK\$'000 | Translation reserve (Unaudited) HK\$'000 | Warrant reserve (Unaudited) HK\$'000 | Other reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|--|--|---|--|--|---|---|---|--|----------------------------------|
| At 1 January 2008 | 122,425 | – | – | 9,772 | (39) | 259 | – | (44,175) | 88,242 |
| Other comprehensive income: | | | | | | | | | |
| Exchange loss in translation of financial statements of foreign operations | – | – | – | – | (25) | – | – | – | (25) |
| Loss for the period | – | – | – | – | – | – | – | (23,192) | (23,192) |
| Total comprehensive income for the period | – | – | – | – | (25) | – | – | (23,192) | (23,217) |
| Recognition of equity-settled share-based compensation | – | – | – | 5,068 | – | – | – | – | 5,068 |
| Proceeds from shares issued under share option scheme | 650 | – | – | (185) | – | – | – | – | 465 |
| Exercise of warrants | 29,376 | – | – | – | – | (259) | – | – | 29,117 |
| Share repurchased | (489) | 1 | – | – | – | – | – | (1) | (489) |
| Acquisition of subsidiaries | 46,130 | – | 661,563 | – | – | – | – | – | 707,693 |
| Exercise of convertible bonds | 322,222 | – | (137,471) | – | – | – | – | – | 184,751 |
| Transactions with equity holders | 397,889 | 1 | 524,092 | 4,883 | – | (259) | – | (1) | 926,605 |
| At 30 September 2008 | <u>520,314</u> | <u>1</u> | <u>524,092</u> | <u>14,655</u> | <u>(64)</u> | <u>–</u> | <u>–</u> | <u>(67,368)</u> | <u>991,630</u> |
| At 1 January 2009 | 1,006,434 | 1 | 115,682 | 14,655 | (77) | – | (49) | (94,294) | 1,042,352 |
| Other comprehensive income: | | | | | | | | | |
| Exchange loss on translation of financial statements of foreign operations | – | – | – | – | (439) | – | – | – | (439) |
| Loss for the period | – | – | – | – | – | – | – | (229,306) | (229,306) |
| Total comprehensive income for the period | – | – | – | – | (439) | – | – | (229,306) | (229,745) |
| Recognition of equity-settled share-based compensation | – | – | – | 5,842 | – | – | – | – | 5,842 |
| Proceeds from shares issued under share option scheme | 17,761 | – | – | (5,842) | – | – | – | – | 11,919 |
| Exercise of convertible bonds | 367,277 | – | (93,973) | – | – | – | – | – | 273,304 |
| Redemption of convertible bonds | – | – | (1,079) | – | – | – | – | (291) | (1,370) |
| Transactions with equity holders | 385,038 | – | (95,052) | – | – | – | – | (291) | 289,695 |
| At 30 September 2009 | <u>1,391,472</u> | <u>1</u> | <u>20,630</u> | <u>14,655</u> | <u>(516)</u> | <u>–</u> | <u>(49)</u> | <u>(323,891)</u> | <u>1,102,302</u> |

11. DISPOSAL OF A SUBSIDIARY

On 28 September 2009, the Group disposed (“**Disposal**”) the entire interest and the intercompany loan of Jet Power Holdings Limited (“**Jet Power**”), a direct wholly-owned subsidiary of the Company, to Sino Prosper Coal Mining Investment Limited (“**Sino Prosper**”) at a total consideration of approximately HK\$1,451,000. Mr. Leung Ngai Man has indirect equity interests in both Jet Power and Sino Prosper. The fair value of the net assets of Jet Power attributable to the Group at the date of the Disposal was immaterial to the Group. The completion of the Disposal has not given rise to any material gain or loss to the Group. The Disposal was completed on 28 September 2009.

12. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period :

- (a) On 4 September 2009, the Company early redeemed 6,250,000 convertible bonds at a total consideration of HK\$5,000,000 from Mr. Leung Ngai Man, pursuant to the terms and conditions of the convertible bonds. Details of the redemption of the convertible bonds is included in note 9.
- (b) For the period ended 30 September 2009, the Group had disposed the entire interest of Jet Power to Sino Prosper. Mr. Leung Ngai Man has indirect equity interests in both Sino Prosper and Jet Power. Details of the Disposal are included in note 11.

13. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

SUBSEQUENT EVENT

On 22 October 2009, the Company acquired Glory Top Management Limited, a company incorporated in Hong Kong with limited liability, as one of its direct wholly-owned subsidiaries at a total consideration of HK\$1 for investment holding purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months and nine months ended 30 September 2009, the Group recorded an unaudited revenue of approximately HK\$520,000 and HK\$1,095,000, which increased by approximately 201% and a decrease 1.35% as compared with the amount for that of the respective corresponding period in 2008. The revenue was mainly derived from staff secondment and system integration, and trading of hardware and software. There was a gross profit of approximately HK\$71,000 sustained for the nine months ended 30 September 2009. Such gross profit decreased by the amount of approximately HK\$189,000, as compared with the gross profit for the nine months ended 30 September 2008.

For the nine months ended 30 September 2009, the unaudited loss attributable to equity holders of the Company of approximately HK\$229,306,000 increased by approximately 888% as compared with the amount of that for the corresponding period in 2008 as a result of the impairment loss of supply contract and substantial increase in finance costs which were mainly caused by the imputed interests on convertible bonds.

Outlook and prospects

The Group will continue to develop its staff secondment and trading of computer hardware and software, and exploration of mineral resources businesses and will also explore new investment opportunities in the People's Republic of China.

Capital structure

As at 30 September 2009, the Company's total number of issued shares was 3,506,430,247 shares (31 December 2008: 2,796,500,247 shares).

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

As at 30 September 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken

under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

(a) Interests in shares

| Name of Director | Corporate interests | Number of shares | | Approximate percentage of interest in the Company's issued share capital |
|---------------------------|---------------------|--------------------|-------------|--|
| | | Personal interests | Total | |
| Mr. Leung Ngai Man | 1,474,400 (Note) | 723,755,000 | 725,229,400 | 20.68% |
| Mr. Ng Kwok Chu, Winfield | – | 472,500 | 472,500 | 0.01% |

Note: These shares were held by Speedy Well Investments Limited (“**Speedy Well**”), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Speedy Well is wholly owned by Mr. Leung Ngai Man. By virtue of the SFO, Mr. Leung Ngai Man is deemed to be interested in the shares held by Speedy Well.

(b) Interests in convertible bonds

| Name | Type of interests | Number of underlying shares held | Approximate percentage of interest in the Company's issued share capital |
|--------------------|-------------------|----------------------------------|--|
| | | | |
| Mr. Leung Ngai Man | Personal | 119,425,000 (Note) | 3.41% |

Note: Mr. Leung Ngai Man was issued a convertible bonds in an aggregate principal amount of HK\$1,545,740,000 on 26 August 2008 at an adjusted conversion price of HK\$0.80 per share (“**Convertible Bonds**”). On 4 September 2009, the Company has requested for early redemption of HK\$5,000,000 from Mr. Leung Ngai Man, the bondholder and the executive Director, Mr. Leung Ngai Man has agreed for the early redemption. The redemption process was completed on 4 September 2009. As at 30 September 2009, HK\$95,540,000 of the Convertible Bonds remains outstanding. Upon full conversion of the Convertible Bonds, a maximum of 119,425,000 shares will be issued to Mr. Leung Ngai Man. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

(c) *Interests in share options*

The interests in the underlying shares arise from share options granted to the Directors under the Company's share option scheme adopted on 29 June 2007 ("**Share Option Scheme**"), details of which are as follows:

| Name | Type of interests | Outstanding share options as at 30 September 2009 | Approximate percentage of interest in the Company's issued share capital |
|------------------------------|-------------------|---|---|
| Mr. Ng Kwok Chu, Winfield | Personal | 10,000,000 (Note 1) | 0.29% |
| Ms. Wu Wei Hua | Personal | 10,000,000 (Note 2) | 0.29% |

Notes:

1. On 10 July 2008, Mr. Ng Kwok Chu, Winfield was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK\$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares of HK\$0.0005 each in the issued and unissued share capital of the Company into one consolidated share of HK\$0.001 each which became effective on 21 October 2008 ("**Share Consolidation**"), the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.
2. On 10 July 2008, Ms. Wu Wei Hua was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK\$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the Share Consolidation, the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 2009, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken that was required to be recorded pursuant to section 352 of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2009, no person or company (other than the Directors or chief executive of the Company) had an interest or short positions in the shares, underlying shares and debentures of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

Save as disclosed above, no persons other than the Director or chief executive of the Company whose interests are set out in the section “Interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation” above, had registered any interests or short positions in the shares, underlying shares and debentures of the Company that was required to be recorded in the register required to be kept under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares and underlying shares that is discloseable under the section 336 of the SFO.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee), Mr. Gao Shikui and Mr. Cai Wei Lun.

The Group’s third quarterly results for the nine months ended 30 September 2009 has been reviewed by the audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company (“**Shareholders**”).

During the period under review, the Company has complied with the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (“**CG Code**”) as set out 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 CG Code; and

2. 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 of the Company, the number of independent non-executive Directors and audit committee members of the Company fell below the minimum number required under rules 5.05(1) and 5.28 of the GEM Listing Rules respectively.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors (“Code”) which is no less exacting than the required terms for dealings of shares by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the standard for dealings of securities by Directors and the Code during the nine months ended 30 September 2009.

COMPETING INTERESTS

During the period under review, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which compete or might compete with the business of the Group.

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 nine months ended 30 September 2009.

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

Hong Kong, 11 November 2009

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.

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