



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 2008

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*This announcement, for which the directors (the “**Directors**”) of China Metal Resources Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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 2008 was approximately HK\$1,266,000, which was approximately 48.5% of the amount of that in 2007.
- Loss attributable to equity holders of the Company was approximately HK\$50,119,000 for the year ended 31 December 2008, which was approximately 2.62 times of that of last year.
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2008 (the “**year**”) together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	4	1,266	2,609
Cost of sales		(980)	(1,811)
Gross profit		286	798
Other operating income	5	618	555
Selling and distribution expenses		(114)	(285)
Administrative expenses		(18,962)	(18,641)
Other operating expenses		(5,550)	–
Operating loss		(23,722)	(17,573)
Finance costs	6	(26,523)	(1,581)
Loss before income tax	7	(50,245)	(19,154)
Income tax expense	8	–	–
Loss for the year		(50,245)	(19,154)
Attributable to:			
Equity holders of the Company		(50,119)	(19,154)
Minority interests		(126)	–
Loss for the year		(50,245)	(19,154)
Loss per share for loss attributable to the equity holders of the Company during the year	10		(restated)
– Basic		(HK2.8 cents)	(HK2.0 cents)
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET*As at 31 December 2008*

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		392	3,576
Prepaid lease payment		–	16,189
Goodwill	<i>11</i>	1,134,000	–
Other intangible assets	<i>12</i>	308,385	–
		<u>1,442,777</u>	<u>19,765</u>
Current assets			
Inventories		–	65
Trade receivables	<i>13</i>	114	132
Prepayments, deposits and other receivables		6,954	178
Pledged deposit		206	200
Cash and bank balances		889	73,843
		<u>8,163</u>	<u>74,418</u>
Property classified as held for sale		12,597	–
		<u>20,760</u>	<u>74,418</u>
Current liabilities			
Bank overdrafts		–	380
Other payables and accrued expenses		4,313	603
Loans from a former shareholder		–	3,275
		<u>4,313</u>	<u>4,258</u>
Net current assets		<u>16,447</u>	<u>70,160</u>
Total assets less current liabilities		<u>1,459,224</u>	<u>89,925</u>
Non-current liabilities			
Due to minority shareholders of subsidiaries		–	502
Convertible bonds	<i>14</i>	319,150	–
Deferred tax liabilities		44,257	–
		<u>363,407</u>	<u>502</u>
Net assets		<u>1,095,817</u>	<u>89,423</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	<i>15</i>	2,797	1,181
Reserves		1,042,352	88,242
		<u>1,045,149</u>	<u>89,423</u>
Minority interests		50,668	–
Total equity		<u>1,095,817</u>	<u>89,423</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Equity attributable to equity holders of the Company									Minority interests	Total	
	Share capital	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Employee compensation reserve	Translation reserve	Warrant reserve	Other reserve	Accumulated losses			Subtotal
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2007	754	-	-	-	-	(21)	-	-	(25,021)	(24,288)	-	(24,288)
Currency translation (Net loss recognised directly in equity)	-	-	-	-	-	(18)	-	-	-	(18)	-	(18)
Loss for the year	-	-	-	-	-	-	-	-	(19,154)	(19,154)	-	(19,154)
Total recognised income and expense for the year	-	-	-	-	-	(18)	-	-	(19,154)	(19,172)	-	(19,172)
Issuance of new shares	320	107,860	-	-	-	-	-	-	-	108,180	-	108,180
Share issue expense	-	(3,895)	-	-	-	-	-	-	-	(3,895)	-	(3,895)
Recognition of equity-settled share-based compensation	-	-	-	-	11,433	-	-	-	-	11,433	-	11,433
Proceeds from shares issued under share option scheme	58	7,385	-	-	(1,661)	-	-	-	-	5,782	-	5,782
Issuance of warrants	-	-	-	-	-	-	358	-	-	358	-	358
Exercise of warrants	49	11,075	-	-	-	-	(99)	-	-	11,025	-	11,025
At 31 December 2007	<u>1,181</u>	<u>122,425</u>	<u>-</u>	<u>-</u>	<u>9,772</u>	<u>(39)</u>	<u>259</u>	<u>-</u>	<u>(44,175)</u>	<u>89,423</u>	<u>-</u>	<u>89,423</u>

	Equity attributable to equity holders of the Company									Minority interests	Total	
	Share capital	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Employee compensation reserve	Translation reserve	Warrant reserve	Other reserve	Accumulated losses			Subtotal
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
At 1 January 2008	1,181	122,425	-	-	9,772	(39)	259	-	(44,175)	89,423	-	89,423
Currency translation (Net loss recognised directly in equity)	-	-	-	-	-	(38)	-	-	-	(38)	-	(38)
Loss for the year	-	-	-	-	-	-	-	-	(50,119)	(50,119)	(126)	(50,245)
Total recognised income and expense 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 compensation	-	-	-	-	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 subsidiary acquired by the Group	-	-	-	-	-	-	-	(49)	-	(49)	-	(49)
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	50,794	50,794
At 31 December 2008	<u>2,797</u>	<u>1,006,434*</u>	<u>1*</u>	<u>115,682*</u>	<u>14,655*</u>	<u>(77)*</u>	<u>-*</u>	<u>(49)*</u>	<u>(94,294)*</u>	<u>1,045,149</u>	<u>50,668</u>	<u>1,095,817</u>

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK\$1,042,352,000 (2007: HK\$88,242,000) in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The financial statements are prepared on the historical cost basis.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (“**new HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2008:

HK (IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendment)	Reclassification of Financial Assets

The new HKFRSs have no material impact on how the results and financial position for the current and prior years have been prepared and presented. Accordingly, no prior years adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible hedge items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ²
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 2 (Amendment)	Members’ Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ²

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2009
- ² Effective for annual periods beginning on or after 1 July 2009
- ³ Effective for annual periods beginning on or after 1 July 2008
- ⁴ Effective for annual periods beginning on or after 1 October 2008
- ⁵ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SEGMENT INFORMATION

Primary reporting format - Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

- (a) the web page design and website maintenance segment provides application and web page development work and monthly services for maintaining and updating website services;
- (b) the staff secondment and system integration segment provides services including hardware and software management services;
- (c) the information technology consultancy services segment provides services relating to the implementation and application of computer systems;
- (d) the trading of hardware and software segment provides trading of computer products in the People's Republic of China (the "PRC"); and
- (e) the exploration of mines in the PRC at permitted and authorised locations.

The following table presents revenue, results, asset, liability and expenditure information for the Group's business segments.

	Web page design and website maintenance		Staff secondment and system integration		Information technology consultancy services		Trading of hardware and software		Exploration of mines		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>-</u>	<u>5</u>	<u>620</u>	<u>316</u>	<u>-</u>	<u>100</u>	<u>646</u>	<u>2,188</u>	<u>-</u>	<u>-</u>	<u>1,266</u>	<u>2,609</u>
Segment results	-	5	90	45	(2)	(9)	198	757	(3,284)	-	(2,998)	798
Unallocated income											618	555
Unallocated expenses											(21,342)	(18,926)
Operating loss											(23,722)	(17,573)
Finance costs											(26,523)	(1,581)
Loss before income tax											(50,245)	(19,154)
Income tax expense											-	-
Loss for the year											<u>(50,245)</u>	<u>(19,154)</u>
Segment assets	-	100	114	77	157	132	7	-	1,446,532	-	1,446,810	309
Corporate & unallocated assets											16,727	93,874
Total assets											<u>1,463,537</u>	<u>94,183</u>
Segment liabilities	-	265	-	-	-	-	280	-	45,797	-	46,077	265
Corporate & unallocated liabilities											321,643	4,495
Total liabilities											<u>367,720</u>	<u>4,760</u>
Other segment information:												
Depreciation	12	11	-	81	58	-	2	-	1	-	73	92
Unallocated depreciation											383	-
Total depreciation											456	92
Amortisation of prepaid lease payment											299	26
Loss on disposal of property, plant and equipment											364	-
Written off on property, plant and equipment	-	-	-	-	-	-	-	-	232	-	232	-
Impairment loss of property, plant and equipment											447	-
Impairment loss of prepaid lease payment											4,442	-
Impairment loss of inventories	-	-	65	-	-	-	-	-	-	-	65	-
Capital expenditure	-	111	-	3,519	-	-	9	-	308,409	-	308,418	3,630
Unallocated capital expenditure											116	-
Total capital expenditure											<u>308,534</u>	<u>3,630</u>

Secondary reporting format - Geographical segments

The Group's operations are located in two main geographical areas. The following table provides an analysis of the Group's sales by location of customers, irrespective of the origin of the goods and services.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Segment revenue by geographical markets		
Hong Kong	620	421
PRC	646	2,188
	<u>1,266</u>	<u>2,609</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Segment assets		Capital expenditures	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	271	309	–	3,630
PRC	1,446,539	–	308,418	–
	<u>1,446,810</u>	<u>309</u>	<u>308,418</u>	<u>3,630</u>

4. REVENUE AND TURNOVER

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Web page design and website maintenance income	–	5
Staff secondment and system integration income	620	316
Information technology consultancy services income	–	100
Trading of hardware and software income	646	2,188
	<u>1,266</u>	<u>2,609</u>

5. OTHER OPERATING INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income on financial assets stated at amortised cost	68	549
Sundry income	–	6
Write back of amount due to minority shareholders of subsidiaries	550	–
	<u>618</u>	<u>555</u>

6. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest charges on financial liabilities stated at amortised cost:		
Loans from a shareholder wholly repayable within one year	35	1,581
Convertible bonds	26,488	–
	<u>26,523</u>	<u>1,581</u>

7. LOSS BEFORE INCOME TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Cost of goods sold	448	1,432
Cost of services provided *	532	379
Auditors' remuneration	550	272
Employee benefit expense (excluding directors' emoluments)#	5,531	13,574
Directors' emoluments	4,848	664
	<u>10,379</u>	<u>14,238</u>
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	48	62
– Computer server	2	12
– Colour printer	4	–
Loss on disposal of property, plant and equipment **	364	–
Written off on property, plant and equipment**	232	–
Depreciation	456	92
Amortisation of prepaid lease payment	299	26
Impairment loss of property, plant and equipment**	447	–
Impairment loss of prepaid lease payment**	4,442	–
Impairment loss of inventories**	65	–
	<u>65</u>	<u>–</u>

- * Cost of services provided included HK\$530,000 (2007: HK\$253,000) relating to employee benefit expense. This amount is included in both “Cost of services provided” and “Employee benefit expense” disclosed above.
- # Employee benefit expense (excluding directors’ emoluments) included share based payment of HK\$2,957,000 (2007: HK\$11,433,000) disclosed above.
- ** The loss on disposal of property, plant and equipment, written off on property, plant and equipment, impairment loss of property, plant and equipment, impairment loss of prepaid lease payment and impairment loss of inventories are included in other operating expenses.

8. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil).

No provision for PRC profits tax has been made on the financial statements for the current year as the assessable profits were wholly offset by tax losses brought forward (2007: Nil).

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK\$50,119,000 (2007: HK\$19,154,000) and on the weighted average number of 1,803,964,000 (2007: 944,538,000 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basic earnings per share for the year ended 31 December 2007 has been restated to reflect the share consolidation during the year.

Diluted result per share for the years ended 31 December 2008 and 2007 have not been disclosed as the share options, convertible bonds and warrants outstanding during these years were anti-dilutive.

11. GOODWILL

	2008 HK\$’000
Cost and carrying amount as at 1 January	—
Acquisition of subsidiaries	1,134,000
Impairment losses	—
	—
Cost and carrying amount as at 31 December	1,134,000

12. OTHER INTANGIBLE ASSETS

	Exploration and evaluation assets <i>HK\$'000</i>	Supply contract <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008			
Opening carrying amount	–	–	–
Acquisition of subsidiaries	21,150	287,020	308,170
Addition	215	–	215
Accumulated impairment losses	–	–	–
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2008	<u>21,365</u>	<u>287,020</u>	<u>308,385</u>

13. TRADE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	<u>114</u>	<u>132</u>

The Group allows a credit period from 30 days to 90 days to its trade customers. The following is an ageing analysis of net trade receivables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	14	52
31 – 60 days	14	52
61 – 90 days	86	10
> 90 days	–	18
	<u> </u>	<u> </u>
	<u>114</u>	<u>132</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	114	114
Past due but not impaired	–	18
	<u> </u>	<u> </u>
	<u>114</u>	<u>132</u>

14. CONVERTIBLE BONDS

The convertible bonds recognised in the balance sheet 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 expense	26,488	–	26,488
Arising from exercise of convertible bonds	(591,514)	(218,090)	(809,604)
	<u>319,150</u>	<u>115,682</u>	<u>434,832</u>
Net carrying amounts at 31 December 2008	<u>319,150</u>	<u>115,682</u>	<u>434,832</u>

15. 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.

	<i>Notes</i>	Number of shares of		Number of shares of		Number of shares of		Share capital	
		HK\$0.01 each		HK\$0.0005 each		HK\$0.001 each			
		2008	2007	2008	2007	2008	2007	2008	2007
		'000	'000	'000	'000	'000	'000	HK\$'000	HK\$'000
Authorised:									
Ordinary shares at beginning of year		–	10,000,000	200,000,000	–	–	–	100,000	100,000
Share Subdivision	(a)	–	(10,000,000)	–	200,000,000	–	–	–	–
Share Consolidation	(b)	–	–	(200,000,000)	–	100,000,000	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>100,000,000</u>	<u>–</u>	<u>100,000</u>	<u>100,000</u>
Ordinary shares at end of year		–	–	–	200,000,000	100,000,000	–	100,000	100,000
Issued and fully paid:									
Ordinary shares at beginning of year		–	75,372	2,361,711	–	–	–	1,181	754
Issuance of new shares	(c)	–	13,567	–	367,695	–	–	–	320
Exercise of share options	(d)	–	2,085	9,900	74,400	–	–	5	58
Exercise of warrants	(e)	–	900	265,909	81,136	–	–	133	49
Share Subdivision	(a)	–	(91,924)	–	1,838,480	–	–	–	–
Share Consolidation	(b)	–	–	(3,871,000)	–	1,935,500	–	–	–
Conversion of convertible bonds	(f)	–	–	803,000	–	861,000	–	1,262	–
Repurchase of shares	(g)	–	–	(2,670)	–	–	–	(1)	–
Issuance of Consideration Shares	(c)	–	–	433,150	–	–	–	217	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>2,361,711</u>	<u>2,796,500</u>	<u>–</u>	<u>2,797</u>	<u>1,181</u>
Ordinary shares at end of year		–	–	–	2,361,711	2,796,500	–	2,797	1,181

Notes:

(a) Share Subdivision

Pursuant to an ordinary resolution passed on 22 August 2007, with effect from 23 August 2007, one share of HK\$0.01 each in the issued and unissued share capital of the Company were subdivided into twenty shares of HK\$0.0005 each (“**Share Subdivision**”). The authorised share capital of the Company remained at HK\$100,000,000 but was divided into 200,000,000,000 shares of HK\$0.0005 each.

(b) 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.

(c) Issuance of new shares

On 27 April 2007, the issued share capital of the Company was increased from approximately HK\$754,000 to HK\$889,000 by the issue of 13,566,960 ordinary shares of HK\$0.01 each for cash at a placing price of HK\$0.49 per share. The total proceeds and net proceeds, after deducting all related expenses, were HK\$6,648,000 and HK\$6,538,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Group; and (ii) for general working capital of the Group.

On 28 September 2007, the Company through a placing agent, BNP Paribas Capital (Asia Pacific) Limited placed 255,000,000 ordinary shares of HK\$0.0005 each at the placing price of HK\$0.27 each. The gross proceeds and the net proceeds from the placing of shares, after deducting all related expenses, were approximately HK\$68,850,000 and HK\$66,949,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Company; (ii) for acquisition of office premises; (iii) for general working capital of the Group; and (iv) for financing of the Mine Acquisition (as defined below).

On 26 October 2007, the Company through a placing agent, Morgan Stanley & Co. International plc placed 112,695,840 ordinary shares of HK\$0.0005 each at the placing price of HK\$0.29 each. The gross proceeds and net proceeds from the placing of shares, after deducting all related expenses, were approximately HK\$32,682,000 and HK\$30,798,000 respectively. The Company has utilised the entire net proceeds for the financing of the Mine Acquisition.

On 26 August 2008, 433,150,000 shares of HK\$0.0005 each (“**Consideration Shares**”) were issued to Mr. Leung Ngai 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.

(d) 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 Share Subdivision 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.

(e) Exercise of warrants

In 2007, part of the warrants issued were exercised for 900,000 shares of HK\$0.01 each with an exercise price of HK\$2.25 per warrant, 30,000,000 shares of HK\$0.0005 each with an exercise price of HK\$0.1125 per warrant and 51,136,363 shares of HK\$0.0005 each with an exercise price of HK\$0.11 per warrant.

During the year, all the remaining warrants issued were exercised for shares of HK\$0.0005 each with an exercise price of HK\$0.11 per warrant.

(f) Conversion of convertible bonds

During the year, 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 conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.315 at fair value per share.

(g) 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 shares 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 was subsequently completed on 9 April 2008.

POST BALANCE SHEET EVENTS

On 4 February 2009, a total of 55,930,000 share options were granted to consultants of the Company at an exercise price of HK\$0.0430 per share. The options would be exercisable during the period from 4 February 2009 to 29 June 2017, details of which are included in the Company's announcement dated 4 February 2009.

Other events subsequent to the balance sheet date, inter alia, the very substantial acquisition and connected transaction as disclosed in the Company's announcement dated 14 January 2009 and the discloseable transaction as disclosed in the Company's circular dated 8 January 2009 are set out in the "Financial review" under Management Discussion and Analysis in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational review

During the year, the revenue of the Group was approximately HK\$1,266,000 which decreased by approximately HK\$1,343,000 as compared with that of last year (2007: HK\$ 2,609,000). The revenue was mainly derived from the provision of staff secondment and system integration and trading of hardware and software. Such decrease was due to a significant drop in the revenue of the business segment of trading of hardware and software.

The operating loss increased by approximately HK\$6,149,000 to approximately HK\$23,722,000 (2007: HK\$17,573,000). It is due to an increase in administrative expenses which was mainly caused by the impairment loss of property, plant and equipment of approximately HK\$447,000 and prepaid lease payment of approximately HK\$4,442,000 during the year.

The loss for the year of approximately HK\$50,119,000 (2007: HK\$19,154,000) attributable to equity holders of the Company increased by approximately HK\$30,965,000. The substantial increase is mainly due to the imputed interest expense on convertible bonds and details will be described below.

Financial review

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flow as well as the cash flow generated from the exercise of warrants during the year. The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. All borrowings and the majority of bank balances are denominated in Hong Kong dollars and put in short term deposits.

As at 31 December 2008, the Group had cash and bank balances of approximately HK\$889,000 (2007: HK\$73,843,000). The decrease of cash and bank balances mainly due to the payment for the mine acquisition during the year.

As at 31 December 2008, the Group had total outstanding borrowings of approximately HK\$319,150,000 (2007: HK\$4,157,000) as stated in the consolidated balance sheet. The borrowings solely represents the convertible bonds of approximately HK\$319,500,000 (2007: Nil).

With regard to the acquisition of 49% interests in Leland Solutions Limited on 15 February 2008, Leland Solutions Limited is now a wholly-owned subsidiary of the Company. On 18 February 2008, the Company repaid the principal and interests of the outstanding borrowings of approximately HK\$3,309,000 to Sun Wah Net Investment Limited (the former shareholder of the Company).

Capital structure

As at 31 December 2008, the Company's total number of issued shares was 2,796,500,247 ordinary shares of HK\$0.001 each (2007: 2,361,711,403 ordinary shares of HK\$0.0005 each).

On 5 and 29 January 2008, one of the warrant holders exercised the subscription rights attaching to the warrants to subscribe for a total of 40,909,090 shares of HK\$0.0005 each at an aggregate subscription price of HK\$4,500,000. On 11 March 2008, the aforesaid warrant holder exercised the subscription rights attaching to the warrants to subscribe for 20,454,545 shares of HK\$0.0005 each at an aggregate subscription price of HK\$2,250,000. On 19 May and 12 August 2008, the aforesaid warrant holder further exercised the subscription rights attaching to the warrants to subscribe for a total of 102,272,729 shares of HK\$0.0005 each at an aggregate subscription price of HK\$11,250,000.

On 14, 19 and 23 May 2008, another warrant holder exercised the subscription rights attaching to the warrants to subscribe for a total of 102,272,726 shares of HK\$0.0005 each at an aggregate subscription price of HK\$11,250,000.

Other changes in the share capital of the Company during the year are set out in note 15 to the financial statements.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

On 4 January 2008, Greatest High Holdings Limited, a wholly-owned subsidiary of the Company and Mr. Leung entered into an agreement in relation to the acquisition of China Nonferrous Metals Resources Investment Limited (“**Target**”). The sole asset of the Target is the entire issued capital of China Mining Group Investment Limited, which in turn owns 80% of the registered and paid up capital of 雲南西部礦業有限公司, a Chinese foreign co-operative joint venture company (“**CJV**”). The CJV is the holder of the exploration permit on the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunnan Province, the PRC (雲南省德宏傣族景頗族自治州潞西市) (“**Mine Acquisition**”). This Mine Acquisition was completed on 26 August 2008 and details are set out in the announcement of the Company dated 26 August 2008.

On 16 December 2008 and 8 January 2009, Richtop Holdings Limited, a wholly-owned subsidiary of the Company, entered into each of the preliminary provisional sale and purchase agreement and the formal sale and purchase agreement respectively, in relation to a disposal of a property located in Hong Kong at a selling price of HK\$12,775,000 (“**Office Disposal**”). Completion of the Office Disposal took place on 27 February 2009. The Board considers that due to the recent global economic environment and the volatility of the property market, it is appropriate to dispose of the property in order to provide additional working capital to the Group. The net proceeds from the Office Disposal will be used for general working capital of the Group. (Details of the Office Disposal are set out in the announcement of the Company dated 18 December 2008 and the circular of the Company dated 7 January 2009).

On 12 January 2009, 雲南省核工業209地質大隊 and the CJV, an indirect non wholly-owned subsidiary of the Company, entered into an agreement pursuant to which the CJV has conditionally agreed to pay up the additional amount of the registered capital of 潞西市核工業209芒市金礦 (“**Ore Supplier**”), i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160) (“**Investment**”). Upon completion, the Ore Supplier will become a non wholly-owned subsidiary of the CJV and an indirect non wholly-owned subsidiary of the Company and the financial results of the Ore Supplier will be consolidated into the financial statements of the Company. Since the gold mining site owned by the Ore Supplier is located adjacent to the exploration area owned by the CJV, the Company believes that synergy can be achieved with the business of the CJV after completion of the Investment. Details of this investment are set out in the announcement of the Company dated 14 January 2009.

Segment comments

During the year, the revenue from ordinary activities had been mainly derived from the following two business segments:

- i) Staff secondment and system integration segment: its revenues increased from approximately HK\$316,000 to approximately HK\$620,000 which represents an increase of approximately 96.2% as compared with that of last year.
- ii) Trading of hardware and software segment: this business segment is conducted in the PRC. It contributes approximately 51.0% of the total revenue of the Group and the profit margin is about 30.7%.

The Group will continue to develop its staff secondment service and system integration, trading of hardware and software and also to seek to invest in the natural resources sector, which the Directors are of view that the Mine Acquisition represents a good opportunity for the Group to diversify into the gold mining business in the PRC.

Employee information

As at 31 December 2008, the Group employed a total number of 26 (2007:16) employees. The staff costs, including Directors' remuneration and share-based payment, were approximately HK\$10,379,000 (2007: HK\$14,238,000).

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares may be granted to the executive Directors, full-time employees and consultants of the Group. The aim of the scheme is to recognise staff outstanding performance in order to retain key staff members and for the benefits of the future business development of the Group.

Charge on group assets

As at 31 December 2008, a fixed deposit of approximately HK\$206,000 was pledged for obtaining the corporate card services (2007: HK\$200,000).

Future plans for material investments or capital assets

Other than the Office Disposal, there was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

Gearing ratio

As at 31 December 2008, the gearing ratio of the Group was approximately 0.291 (2007: 0.046), based on the total borrowings of approximately HK\$319,150,000 (2007: HK\$4,157,000) and total equity of approximately HK\$1,095,817,000 (2007: HK\$89,423,000).

Exposure to fluctuation in exchange rates

The Group has no significant foreign exchange risk due to limited foreign currency translations.

Contingent liabilities

As at 31 December 2008, the Group had no significant contingent liabilities (2007: Nil)

BUSINESS REVIEW

To highlight the Group's commitment in the mineral resources business, the name of the Company has been changed from "Glory Future Group Limited 光彩未來集團有限公司" to "China Metal Resources Holdings Limited 中國金屬資源控股有限公司" in March 2008.

During the year, the economy of Hong Kong Special Administrative Region ("**Hong Kong**") of the PRC had suffered from the sub-prime crisis that emerged in the United States of America in the second half of 2007, which escalated to devastating effect and spread across the world in the second half of 2008. The unemployment rate in Hong Kong has increased compared with previous years and our capital market has also been affected with a significant drop in number of initial public offering activities in Hong Kong during the year. Under current situation our trading of hardware and software products business has dropped, however, as the information technology is in need in the PRC market, the profit margin generating from the sale of hardware and software products is maintained at a relatively high level and the Company expects to continue to engage in this business segment for the next year.

PROSPECTS

The Mine Acquisition was completed on 26 August 2008. According to the technical report which was included in the circular of the Company dated 13 May 2008, the mining area has a preliminary estimate of up to 60 to 100 tons of contained gold. The CJV has also commissioned Beijing Zhongsetaige Geological Resources Exploration Technology Limited, a wholly-owned subsidiary of China Nonferrous Metal Resources Geological Survey, to engage in the exploration of certain areas, with systematic exploration work upto detailed exploration stage.

The world is now experiencing intense political situations, intensified inflations, as well as unstable financial markets. These factors are bound to make gold price rising steadily, therefore, the Board is optimistic about the development of this business.

Demand for gold has drastically increased since 2006. It is expected that the gold market in the PRC will follow such trend, and the demand for gold is expected to increase in the PRC. In addition, the gold market in the PRC has gradually become deregulated in recent years and the PRC government has established a series of policies to promote the development of the gold mining industry. In light of the above, the Directors are of the view that the Mine Acquisition represents a good opportunity to invest in the natural resources sector and enables the Group to diversify into gold mining business in the PRC.

AUDIT COMMITTEE

The Company has established an 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:

Name	Service period during the year
Mr. Chan Sing Fai	From 1 January 2008 to 31 December 2008
Dr. Leung Wai Cheung	From 1 January 2008 to 31 December 2008
Mr. Liu Jia Qing	From 1 January 2008 to 31 December 2008

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. Chan Sing Fai and Mr. Liu Jia Qing.

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 2008 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 legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the Code on Corporate Governance Practices contained in Appendix 15 to 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

During the year, the Company repurchased a total of 2,670,000 shares of HK\$0.0005 each in the capital of the Company on the Stock Exchange as follows:

Date	Number of shares repurchased	Highest purchase price per share HK\$	Lowest purchase price per share HK\$	Total paid HK\$
18 March 2008	1,500,000	0.183	0.182	273,600
20 March 2008	1,170,000	0.185	0.185	216,450
	<u>2,670,000</u>			<u>490,050</u>

The repurchased shares were subsequently cancelled by the Company on 9 April 2008.

Save as disclosed above, neither the Company nor any of its subsidiaries has 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, 5 March 2009

As at the date of this announcement, the executive Directors are Messrs. Leung Ngai Man and Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; and the independent non-executive Directors are Dr. Leung Wai Cheung, Messrs. Chan Sing Fai and Liu Jia Qing.

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.