



**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)

2008

Third Quarterly Report

## 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.

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*This report, 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 (“**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 report 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 report misleading; and (3) all opinions expressed in this report 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 nine months ended 30 September 2008 and three months ended 30 September 2008 were approximately HK\$1,110,000 and HK\$173,000 respectively, which decreased by approximately 13.7% and 84.3% as compared with the amount of that for the respective corresponding period in 2007.
- The Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK\$23,209,000 for the nine months ended 30 September 2008, which increased by approximately 44.9% as compared with the amount of that for the corresponding period in 2007.
- The unaudited loss per share for loss attributable to equity holders of the Company was approximately HK1.8 cents for the nine months ended 30 September 2008.

## 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 2008 together with the comparative figures for the corresponding periods in 2007 as follows:

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2008

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>	3	<b>173</b>	1,103	<b>1,110</b>	1,286
Cost of sales		<b>(144)</b>	(737)	<b>(850)</b>	(904)
<b>Gross profit</b>		<b>29</b>	366	<b>260</b>	382
Other revenue		<b>5</b>	49	<b>505</b>	121
Selling and distribution expenses		<b>–</b>	(80)	<b>(113)</b>	(206)
Administrative expenses		<b>(5,656)</b>	(10,951)	<b>(14,238)</b>	(14,865)
Operating loss	4	<b>(5,622)</b>	(10,616)	<b>(13,586)</b>	(14,568)
Finance costs	5	<b>(9,589)</b>	(498)	<b>(9,623)</b>	(1,452)
<b>Loss before income tax</b>		<b>(15,211)</b>	(11,114)	<b>(23,209)</b>	(16,020)
Income tax expenses	6	<b>–</b>	–	<b>–</b>	–
<b>Loss for the period</b>		<b>(15,211)</b>	(11,114)	<b>(23,209)</b>	(16,020)
<b>Attributable to:</b>					
Equity holders of the Company		<b>(15,211)</b>	(11,114)	<b>(23,209)</b>	(16,020)
Minority interest		<b>17</b>	–	<b>17</b>	–
		<b>(15,194)</b>	(11,114)	<b>(23,192)</b>	(16,020)
<b>Loss per share for loss attributable to equity holders of the Company</b>					
– Basic	7	<b>(HK1.0 cent)</b>	(HK1.2 cents)*	<b>(HK1.8 cents)</b>	(HK1.9 cents)*
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

\* Restated

Notes:

## 1. Basis of preparation

The unaudited consolidated income statement of the Group for the three months and nine months ended 30 September 2008 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules. It has been prepared under historical cost convention.

## 2. Significant accounting policies

The significant accounting policies used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2008 are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2007.

From 1 January 2008, the Group has adopted all the new and amended HKFRSs, which are first effective on 1 January 2008 and relevant to the Group. The adoption of the new and amended HKFRSs did not result in any significant changes to Group’s accounting policies and to the amounts and disclosures in the unaudited condensed consolidated financial statements.

The Group has not yet early adopted the following HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of the new and revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s Financial Statements.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) Interpretation 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

## 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 eliminations of all significant intra-group transactions.

#### 4. Operating loss

The Group's operating loss is arrived at after crediting and charging the followings items:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Bank interest income on financial assets stated at amortised cost	<u>5</u>	<u>49</u>	<u>51</u>	<u>121</u>
Charging:				
Cost of goods sold	–	–	428	–
Cost of services provided*	144	737	422	904
Auditors' remuneration	90	61	270	166
Depreciation	122	21	365	37
Amortisation of prepaid lease payments	78	–	234	–
Employee benefit expense (excluding Directors' emoluments):				
– Wages and salaries	582	495	1,742	1,250
– Pension scheme contributions (MPF)	16	21	56	49
Directors' emoluments	855	255	1,601	485
Share-based payment expense	5,068	9,587	5,068	11,433
Minimum lease payments paid under operating lease in respect of:				
– Land and buildings	11	15	34	45
– Computer server	<u>–</u>	<u>6</u>	<u>2</u>	<u>12</u>

\* Cost of services provided for the three months and nine months ended 30 September 2008 included HK\$144,000 and HK\$422,000 respectively relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

#### 5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest charges on:				
– Loans from Sun Wah Net Investment Limited ("Sun Wah") wholly repayable within one year	–	498	34	1,452
– Imputed interest on convertible bonds	<u>9,589</u>	<u>–</u>	<u>9,589</u>	<u>–</u>
	<u>9,589</u>	<u>498</u>	<u>9,623</u>	<u>1,452</u>

## **6. Income tax expenses**

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 2008 and the corresponding periods in 2007.

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 2008 and the corresponding periods in 2007.

The Group did not have any significant unprovided deferred tax liabilities as at 30 September 2008 and 31 December 2007.

## **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 2008 of approximately HK\$15,211,000 and HK\$23,209,000 respectively (three months and nine months ended 30 September 2007: approximately HK\$11,114,000 and HK\$16,020,000 respectively) and the weighted average number of approximately 1,454,883,943 ordinary shares of the Company during the three months ended 30 September 2008 and approximately 1,304,333,103 ordinary shares of the Company in issue during the nine months ended 30 September 2008 (three months and nine months ended 30 September 2007: 917,927,000 and 841,803,500 ordinary shares, restated), as adjusted to reflect the shares consolidation of the Company which became effective on 21 October 2008.

Diluted loss per share for the three months and nine months ended 30 September 2008 and that for the corresponding periods in 2007 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. Reserves

	Convertible							Total (Unaudited) HK\$000
	Share premium account (Unaudited) HK\$000	bond equity reserve (Unaudited) HK\$000	Share redemption reserve (Unaudited) HK\$000	Employee compensations (Unaudited) HK\$000	Translation reserve (Unaudited) HK\$000	Warrant reserve (Unaudited) HK\$000	Accumulated losses (Unaudited) HK\$000	
At 1 January 2007	-	-	-	-	(21)	-	(25,021)	(25,042)
Loss for the period (Total income and expenses for the period)	-	-	-	-	-	-	(16,020)	(16,020)
Top-up placing and subscription Recognition of	6,511	-	-	-	-	-	-	6,511
share-based payment	-	-	-	11,433	-	-	-	11,433
Issuance of warrants	-	-	-	-	-	358	-	358
Exercise of share options	4,135	-	-	(738)	-	-	-	3,397
Exercise of warrants	5,395	-	-	-	-	(18)	-	5,377
At 30 September 2007	<u>16,041</u>	<u>-</u>	<u>-</u>	<u>10,695</u>	<u>(21)</u>	<u>340</u>	<u>(41,041)</u>	<u>(13,986)</u>
At 1 January 2008	122,425	-	-	9,772	(39)	259	(44,175)	88,242
Currency translation (net loss recognised directly in equity)	-	-	-	-	(25)	-	-	(25)
Loss for the period	-	-	-	-	-	-	(23,192)	(23,192)
Total recognised income and expenses for the period	-	-	-	-	(25)	-	(23,192)	(23,217)
Recognition of share-based payment	-	-	-	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)	(489)	-	1	-	-	-	(1)	(489)
Acquisition of subsidiaries	46,130	661,563	-	-	-	-	-	707,693
Convertible bonds conversion	322,222	(137,471)	-	-	-	-	-	184,751
At 30 September 2008	<u>520,314</u>	<u>524,092</u>	<u>1</u>	<u>14,655</u>	<u>(64)</u>	<u>-</u>	<u>(67,368)</u>	<u>991,630</u>

## 9. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2008 (nine months ended 30 September 2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and financial review

For the three months and nine months ended 30 September 2008, the Group recorded an unaudited revenue of approximately HK\$173,000 and HK\$1,110,000, which decreased by approximately 84.3% and 13.7% as compared with the amount for that of the respective corresponding period in 2007. 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\$260,000 sustained for the nine months ended 30 September 2008. Such gross profit decreased by the amount of approximately HK\$122,000, as compared with the gross profit for the nine months ended 30 September 2007.

For the nine months ended 30 September 2008, the unaudited loss attributable to equity holders of the Group of approximately HK\$23,209,000 increased by approximately 44.9% as compared with the amount of that for the corresponding period in 2007 as a result of the substantial increase in finance costs which were mainly caused by the imputed interests on convertible bonds.

After completion of the Acquisition (as defined below), the unaudited intangible assets of the Group increased to HK\$1,727,952,000 as at 30 September 2008 which mainly represented the goodwill arising from the Acquisition of HK\$1,452,802,000, exploration rights of HK\$21,150,000 and the supply contract of HK\$254,000,000. The unaudited total assets of the Group as at 30 September 2008 increased to approximately HK\$1,756,846,000 which is approximately 17.7 times as compared with that as at 31 December 2007.

The unaudited total assets less current liabilities increased from approximately HK\$89,925,000 to approximately HK\$1,755,229,000 which represented an increase of approximately 18.5 times as compared with that as at 31 December 2007 and the net assets value increased from approximately HK\$89,423,000 as at 31 December 2007 to approximately HK\$1,046,592,000 as at 30 September 2008.

### Outlook and prospects

Upon obtaining the approval from the shareholders of the Company (“**Shareholders**”) at the extraordinary general meeting held on 30 May 2008, the Company acquired 100% equity interest (“**Acquisition**”) in 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 Yunnan Xibu Mining Company Limited, a Chinese foreign co-operative joint venture company (“**CJV**”). The CJV is the holder of the exploration permit for an area of approximately 113.96 sq. km. of a gold mining site at Dagangba Area, Santaishan County, Luoxi City, Yunnan Province, the People’s Republic of China (“**PRC**”). The 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 tonnes of contained gold. The CJV

has also commissioned Beijing Zhongsetaige Geological Resources Exploration Technology Limited, a wholly-owned subsidiary of China Nonferrous Metals Resources Geological Survey, to engage in the exploration of certain areas, with systematic exploration work upto detailed exploration stage and the first exploration report is estimated to be completed in the beginning of 2009.

The world is now experiencing intense political situations, intensified inflations, as well as unstable financial markets. Such 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 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.

### **Capital structure**

On 12 August 2008, one of the warrantholders exercised the subscription rights attached to the warrants to subscribe for 61,363,638 shares of the Company of HK\$0.0005 each (“**Shares**”) at an aggregate subscription price of HK\$6,750,000. As a result of the exercise of warrants, the issued share capital of the Company has been increased from 2,573,486,856 Shares to 2,634,850,494 Shares.

Upon completion of the Acquisition on 26 August 2008, the Company issued the convertible bonds in the principal amount of HK\$1,545,740,000 at a conversion price of HK\$0.40 per Share (“**Convertible Bonds**”) to Mr. Leung Ngai Man (“**Mr. Leung**”), an executive Director and the Chairman of the Board. Upon full conversion of the Convertible Bonds, the maximum number of conversion shares to be issued will be 3,864,350,000.

On 29 August 2008, the Convertible Bonds amounting to HK\$41,200,000 have been exercised by Mr. Leung in exchange for 103,000,000 Shares. On 25 September 2008, the Convertible Bonds amounting to HK\$280,000,000 have been exercised by Mr. Leung in exchange for 700,000,000 Shares.

As a result of the above conversion and 433,150,000 Shares issued as part of the consideration of HK\$1,800 million for the Acquisition, the issued share capital of the Company has been increased from HK\$1,317,425 divided into 2,634,850,494 Shares to HK\$1,935,500 divided into 3,871,000,494 Shares.

## **POST BALANCE SHEET EVENTS**

### **Share Consolidation**

On 20 October 2008, the Shareholders approved the consolidation of every two Shares in the 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 to HK\$100,000,000 comprising 100,000,000,000 Consolidated Shares and the issued share capital of the Company has been adjusted from 3,871,000,494 Shares to 1,935,500,247 Consolidated Shares. Upon the Share Consolidation becoming effective, the exercise price and the number of outstanding share options granted and the conversion price of the outstanding Convertible Bonds were adjusted. (Details are set out in the announcements of the Company dated 17 September 2008 and 20 October 2008 and the circular of the Company dated 30 September 2008).

### **Subscription of Consolidated Shares**

On 12 September 2008, the Company entered into a conditional subscription agreement with 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. (Details are set out in the announcement of the Company dated 17 September 2008).

As at the date of this report, the subscription has not been completed.

### **Issuance of Shares from conversion of the Convertible Bonds**

As at the date of this report, part of the Convertible Bonds, amounting to HK\$321,200,000, had been exercised by Mr. Leung in exchange for 803,000,000 Shares. (Details are set out in the announcements of the Company dated 4 September 2008 and 6 October 2008.)

## **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 CORPORATIONS**

As at 30 September 2008, 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 corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“**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 in the Shares and underlying Shares of the equity derivatives

Name of Director	Number of		Capacity	Approximate percentage of interests
	Shares	underlying Shares		
Mr. Leung	783,000,000 (Note 1)	3,061,350,000 (Note 2)	Beneficial owner	99.31%
	322,948,800 (Note 3)		Through a controlled corporation	8.34%
Mr. Ng Kwok Chu, Winfield	945,000	20,000,000 (Note 4)	Beneficial owner	0.54%
Ms. Wu Wei Hua	–	20,000,000 (Note 5)	Beneficial owner	0.52%
Mr. Liu Jia Qing	–	2,500,000 (Note 6)	Beneficial owner	0.06%

#### Notes:

- As a result of the Share Consolidation, these Shares were adjusted to 391,500,000 Consolidated Shares.
- The Company issued the Convertible Bonds in an aggregate principal amount of HK\$1,545,740,000 to Mr. Leung on 26 August 2008, being the date of completion of the Acquisition, entitling Mr. Leung to convert up to an aggregate of 3,864,350,000 Shares at an initial conversion price of HK\$0.40 per Share. During the period under review, the Convertible Bonds in the principal amount of HK\$321,200,000 was converted into 803,000,000 Shares. Consequently, there were outstanding Convertible Bonds in an aggregate principal amount of HK\$1,224,540,000. As a result of the Share Consolidation, the relevant conversion price was adjusted from HK\$0.40 to HK\$0.80 per Consolidated Share and the number of Shares falling to be issued under the outstanding Convertible Bonds was adjusted from 3,061,350,000 Shares to 1,530,675,000 Consolidated Shares.
- These Shares were held by Speedy Well Investments Limited (“**Speedy Well**”) which is wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung was deemed to be interested in the Shares held by Speedy Well. As a result of the Share Consolidation, these Shares were adjusted to 161,474,400 Consolidated Shares.
- On 10 July 2008, Mr. Ng Kwok Chu, Winfield was granted share options, pursuant to the share option scheme adopted by the Company on 29 June 2007 (“**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.

5. 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.
6. On 10 July 2008, Mr. Liu Jia Qing was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 2,500,000 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 2,500,000 Shares to 1,250,000 Consolidated Shares.

Save as disclosed above, as at 30 September 2008, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (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.

## SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 29 June 2007. The principal purpose of the Share Option Scheme is to motivate and give incentives to the eligible participants as defined in the Share Option Scheme for their contribution to the Group.

As at 30 September 2008, detailed movements in the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercise price* HK\$	Exercise period	As at 01.01.2008*	Movement of share options during the period			As at 30.09.2008*
					Granted	Exercised	Lapsed	
Consultants	09.07.2007	0.1425	09.07.2007 – 29.06.2017	96,000,000	-	-	-	96,000,000
	22.08.2007	0.2030	22.08.2007 – 29.06.2017	82,000,000	-	-	-	82,000,000
	10.07.2008	0.1328	10.07.2008 – 29.06.2017	-	80,000,000	-	-	80,000,000
Staff	10.07.2008	0.1328	10.07.2008 – 29.06.2017	-	20,000,000	-	-	20,000,000
Directors	10.07.2008	0.1328	10.07.2008 – 29.06.2017	-	42,500,000	-	-	42,500,000
<b>Total</b>				<b>178,000,000</b>	<b>142,500,000</b>	<b>-</b>	<b>-</b>	<b>320,500,000</b>

\* The number of share options granted and the exercise price will be adjusted due to the Share Consolidation.

As at the date of this report, no option granted under the Share Option Scheme was exercised.

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

As at 30 September 2008, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares 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 were as follows:

### Long positions in the Shares and underlying Shares

Name of substantial Shareholder	Capacity and nature of interest	Number of Shares	underlying Shares	Approximate percentage of interests	Total number of Shares and underlying Shares
Speedy Well <i>(Note 1)</i>	Beneficial owner	322,948,800	–	8.34%	322,948,800
Beijing China Metallurgy Investment Limited <i>(Note 2)</i>	Beneficial owner	180,000,000	–	5.37%	180,000,000

#### Notes:

1. Speedy Well is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Leung. As a result of the Share Consolidation, these Shares were adjusted to 161,474,000 Consolidated Shares.
2. On 12 September 2008, the Company entered into a conditional subscription agreement with 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.

Save as disclosed above, no persons other than the Directors or chief executive of the Company had registered an interests or short positions in the Shares and the underlying Shares that was required to be recorded pursuant to 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 an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the audit committee had three members comprising the three independent non-executive Directors, namely, 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 and risk management systems of the Group. The Group's third quarterly results for the nine months ended 30 September 2008 have been reviewed by the members of the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange listing requirements and other legal requirements, and that adequate disclosures have been made.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

For the nine months ended 30 September 2008, the Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to 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 2008.

## **COMPETING INTERESTS**

During the period under review, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates had an interest in a business which competed or might compete with the business of the Group.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2008.

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

Hong Kong, 11 November 2008

*As at the date of this report, 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.*