



**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

Interim 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.*

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

### HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2008 was approximately HK\$937,000 with a significant increase of approximately 5.1 times as compared with that for the corresponding period in 2007.
- The Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK\$7,998,000 for the six months ended 30 June 2008, which increased by approximately 1.6 times as compared with that for the corresponding period in 2007.
- The unaudited loss per share for loss attributable to equity holders of the Company was approximately HK0.33 cent for the six months ended 30 June 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 six months ended 30 June 2008 together with the comparative figures for the corresponding periods in 2007 as follow:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2008

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>	3	161	76	937	183
Cost of sales		(138)	(49)	(706)	(167)
<b>Gross profit</b>		23	27	231	16
Other revenue		9	61	500	72
Selling and distribution expenses		(44)	(79)	(113)	(126)
Administrative expenses		(3,554)	(3,324)	(8,582)	(3,914)
Operating loss		(3,566)	(3,315)	(7,964)	(3,952)
Finance costs	5	–	(556)	(34)	(954)
<b>Loss before income tax</b>	6	(3,566)	(3,871)	(7,998)	(4,906)
Income tax expense	7	–	–	–	–
<b>Loss for the period</b>		<u>(3,566)</u>	<u>(3,871)</u>	<u>(7,998)</u>	<u>(4,906)</u>
<b>Attributable to:</b>					
Equity holders of the Company		(3,566)	(3,871)	(7,998)	(4,906)
Minority interests		–	–	–	–
		<u>(3,566)</u>	<u>(3,871)</u>	<u>(7,998)</u>	<u>(4,906)</u>
<b>Loss per share for loss attributable to equity holders of the Company</b>	8				
– Basic		<u>(HK0.14 cent)</u>	<u>(HK0.23 cent)</u>	<u>(HK0.33cent)</u>	<u>(HK0.31 cent)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3,458	3,576
Prepaid lease payments	10	16,033	16,189
Deposit	11	65,000	–
		<hr/>	<hr/>
		84,491	19,765
<b>Current assets</b>			
Inventories		65	65
Trade receivables	12	150	132
Prepayments, deposits and other receivables		5,579	178
Pledged deposits		200	200
Cash and bank balances		13,889	73,843
		<hr/>	<hr/>
		19,883	74,418
<b>Current liabilities</b>			
Bank overdrafts		–	380
Other payables and accrued expenses		470	603
Loans from a shareholder	13	–	3,275
		<hr/>	<hr/>
		470	4,258
<b>Net current assets</b>		<hr/>	<hr/>
		19,413	70,160
<b>Total assets less current liabilities</b>		<hr/>	<hr/>
		103,904	89,925
<b>Non-current liabilities</b>			
Due to minority shareholders of subsidiaries		24	502
		<hr/>	<hr/>
<b>Net assets</b>		<hr/>	<hr/>
		103,880	89,423
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	1,287	1,181
Reserves		102,593	88,242
		<hr/>	<hr/>
<b>Total equity</b>		<hr/>	<hr/>
		103,880	89,423

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share redemption reserve (Unaudited) HK\$'000	Employee compensation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2007	754	-	-	-	(21)	-	(25,021)	(24,288)
Loss for the period (Total recognised income and expense for the period)	-	-	-	-	-	-	(4,906)	(4,906)
Top-up placing and subscription	136	6,511	-	-	-	-	-	6,647
Recognition of share based payment	-	-	-	1,846	-	-	-	1,846
Exercise of share options	6	775	-	(123)	-	-	-	658
At 30 June 2007	<u>896</u>	<u>7,286</u>	<u>-</u>	<u>1,723</u>	<u>(21)</u>	<u>-</u>	<u>(29,927)</u>	<u>(20,043)</u>
At 1 January 2008	1,181	122,425	-	9,772	(39)	259	(44,175)	89,423
Currency translation (net loss recognised directly in equity)	-	-	-	-	(24)	-	-	(24)
Loss for the period	-	-	-	-	-	-	(7,998)	(7,998)
Total recognised income and expense for the period	-	-	-	-	(24)	-	(7,998)	(8,022)
Exercise of warrants	102	22,602	-	-	-	(205)	-	22,499
Proceeds from shares issued under share option scheme	5	650	-	(185)	-	-	-	470
Share repurchased	(1)	(489)	1	-	-	-	(1)	(490)
At 30 June 2008	<u>1,287</u>	<u>145,188*</u>	<u>1*</u>	<u>9,587*</u>	<u>(63)*</u>	<u>54*</u>	<u>(52,174)*</u>	<u>103,880</u>

\* The aggregate amount of these balances of HK\$102,593,000 (As at 31 December 2007: HK\$88,242,000) is included as reserves in the condensed consolidated balance sheet as at 30 June 2008.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(13,271)	(3,526)
Net cash (used in)/from investing activities	(65,080)	62
Net cash from financing activities	<u>18,801</u>	<u>11,806</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(59,550)</b>	<b>8,342</b>
Effect of foreign exchange rate changes, net	(24)	–
Cash and cash equivalents at beginning of period	<u>73,463</u>	<u>675</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>13,889</u></b>	<b><u>9,017</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b><u>13,889</u></b>	<b><u>9,017</u></b>

Notes:

### 1) **Basis of preparation**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and comply with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules. They have 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 six months ended 30 June 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 anticipate that the adoption of such HKFRSs will not result in material impact on the Group’s unaudited condensed consolidated 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>

<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

### 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) Segment information

The following table presents the revenue and results for the Group's business segments.

	Web page design and website maintenance (Unaudited)		Staff secondment and system integration (Unaudited)		Information technology consultancy services (Unaudited)		Trading of hardware and software (Unaudited)		Consolidated (Unaudited)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	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
Segment revenue:										
Sales to external customers	–	4	320	16	–	163	617	–	937	183
Segment results:	–	4	47	1	–	11	189	–	236	16
Interest and other income									500	72
Unallocated expenses									(8,700)	(4,040)
Operating loss									(7,964)	(3,952)
Finance costs									(34)	(954)
Loss before income tax									(7,998)	(4,906)
Income tax expense									–	–
Loss for the period									(7,998)	(4,906)

#### 5) Finance costs

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on financial liabilities stated at amortised cost:				
– Loans from Sun Wah Net Investment Limited (“Sun Wah”), wholly repayable within one year	–	556	34	954

## 6) Loss before income tax

The Group's loss before income tax is arrived at after crediting and charging the following items:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting				
Bank interest income on financial assets stated at amortised cost	9	61	45	72
Charging:				
Cost of goods sold	–	–	428	–
Cost of services provided*	138	49	278	167
Auditors' remuneration	90	52	180	105
Depreciation	122	8	243	16
Amortisation of prepaid lease payments	78	–	156	–
Employee benefit expenses: (excluding Directors' emoluments)				
Wages and salaries	555	466	1,160	755
Pension scheme contributions (MPF)	17	15	40	28
Employee share options benefits	–	1,846	–	1,846
Directors' emoluments	499	125	746	230
	<u>1,071</u>	<u>2,452</u>	<u>1,946</u>	<u>2,859</u>
Minimum lease payments paid under operating leases in respect of:				
– Land and buildings	12	15	23	30
– Computer server	–	3	2	6
	<u>–</u>	<u>18</u>	<u>25</u>	<u>36</u>

\* *Cost of services provided for the three months and six months ended 30 June 2008 included HK\$138,000 and HK\$276,000 respectively (three months and six months ended June 2007 of HK\$Nil and HK\$Nil respectively) relating to employee benefit expenses. This amount is included in both 'Cost of services provided' and 'Employee benefit expenses' disclosed above.*

## 7) 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 three months and six months ended 30 June 2008 and the corresponding periods in 2007.

Profits tax of subsidiaries operating outside Hong Kong have 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 respective jurisdictions during the three months and six months ended 30 June 2008 and the corresponding periods in 2007.

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

## 8) 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 six months ended 30 June 2008 of approximately HK\$3,566,000 and HK\$7,998,000 respectively (three months and six months ended 30 June 2007: approximately HK\$3,871,000 and HK\$4,906,000, respectively) and weighted average number of approximately 2,497,288,000 ordinary shares of the Company during the three months ended 30 June 2008 and approximately 2,450,586,000 ordinary shares of the Company in issue during the six months ended 30 June 2008 (three months and six months ended 30 June 2007: approximately 1,703,920,000 and six months ended 30 June 2007: approximately 1,606,220,000).

The weighted average number of shares for the purposes of calculating basic loss per share for the three months and six months ended 30 June 2007 has been restated to reflect the share subdivision of shares as detailed in the Company's circular dated 3 August 2007.

Diluted loss per share for the three months and six months ended 30 June 2008 and that for the corresponding periods in 2007 have not been disclosed as the share options and warrants outstanding, if any, during the respective periods had an anti-dilutive effect of the basic loss per share for the relevant periods.

## 9) Property, plant and equipment

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
Net book value, beginning of period/year	<u>3,576</u>	<u>38</u>
Addition	124	3,630
Depreciation	<u>(242)</u>	<u>(92)</u>
Net book value, end of period/year	<u>3,458</u>	<u>3,576</u>
Cost	4,116	3,992
Accumulated depreciation	<u>(658)</u>	<u>(416)</u>
Net book value, end of period/year	<u><u>3,458</u></u>	<u><u>3,576</u></u>

## 10) Prepaid lease payments

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
Carrying amount of 1 January	<b>16,189</b>	–
Additions	–	16,215
Amortisation of prepaid lease payments	<b>(156)</b>	(26)
	<b><u>16,033</u></b>	<b><u>16,189</u></b>
	<b>2008 HK\$'000</b>	2007 HK\$'000
In Hong Kong held on:		
Lease of between 10 to 50 years	<b><u>16,033</u></b>	<b><u>16,189</u></b>

## 11) Deposit

Deposit solely represents the cash deposit of HK\$65,000,000 for the Mine Acquisition (as defined below). Details of the Mine Acquisition are set out in the announcement and circular of the Company dated 23 January 2008 and 13 May 2008.

## 12) Trade receivables

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
Trade receivables	<b>150</b>	132
Less: allowance for impairment of receivables	–	–
Trade receivables-net	<b><u>150</u></b>	<b><u>132</u></b>

A defined credit policy is maintained within the Group. The general credit terms range from 30 days to 45 days (2007: 30 days to 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the senior management.

The aged analysis of trade receivables is as follows:

	At 30 June (Unaudited) 2008 HK\$'000	At 31 December (Audited) 2007 HK\$'000
0-30 days	53	52
31-60 days	97	52
61-90 days	–	10
> 90 days	–	18
	<u>150</u>	<u>132</u>

### 13) Loans from a shareholder

On 13 March 2007, a loan of HK\$3.2 million was advanced from Sun Wah, an ex-shareholder of the Company, for repayment of the principal and accrued interest of the loan granted on 12 June 2006. The balance of the remaining loan was retained as working capital of the Group. This loan was unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. On 18 February 2008, the Company fully repaid the principal and accrued interest of the loan of HK\$3,200,000 and such full repayment has largely reduced the Company's interest burden and regular expenditure to a certain extent.

### 14) Share capital

	Number of shares '000	HK\$'000
Authorised:		
At 31 December 2007, ordinary shares of HK\$0.0005 each (Audited)	<u>200,000,000</u>	<u>100,000</u>
At 30 June 2008 ordinary shares of HK\$0.0005 each (Unaudited)	<u>200,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2007 ordinary shares of HK\$0.0005 each (Audited)	2,361,711	1,181
Exercise of warrants	204,545	102
Exercise of share options	9,900	5
Share repurchased	(2,670)	(1)
At 30 June 2008 ordinary shares of HK\$0.0005 each (Unaudited)	<u>2,573,486</u>	<u>1,287</u>

### 15) Interim dividend

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the three months and six months ended 30 June 2008 the Group recorded an unaudited revenue of approximately HK\$161,000 and HK\$937,000 with a significant increase of approximately 2.1 times and 5.1 times as compared with those figures in the corresponding periods in 2007 respectively. The revenue was primarily derived from staff secondment and system integration, and trading of hardware and software. There was a gross profit of approximately HK\$231,000 sustained for the six months ended 30 June 2008. Such gross profit was increased by 14.4 times as compared with the gross profit for the six months ended 30 June 2007.

For the six months ended 30 June 2008, the unaudited loss of the Company increased by approximately 1.6 times as compared with that for the corresponding period in 2007 mainly because of the increase in administrative expenses during the six months ended 30 June 2008.

### Outlook

On 4 January 2008, Greatest High Holdings Limited, a wholly-owned subsidiary of the Company and Mr. Leung Ngai Man, an executive director and the chairman of the Board, 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 People’s Republic of China (“**PRC**”) (雲南省德宏傣族景頗族自治州潞西市) (“**Mine Acquisition**”). (Details of the Mine Acquisition are set out in the announcement and circular of the Company dated 23 January 2008 and 13 May 2008 respectively).

The Group intends to diversify into the gold mining industry in the PRC. In this regard, the Company changed its name to “China Metal Resources Holdings Limited 中國金屬資源控股有限公司” in February 2008 to signify the Company’s intention to explore investment opportunities and step into the natural resources industry in the PRC.

The Group will continue to develop its staff secondment and system integration, and 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 diverse into the gold mining business in the PRC.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The Group financed its operation primarily with internally generated cash flow together with the cash flow generated from the exercise of unlisted warrants during the first six months. 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 and put in short term deposits.

As at 30 June 2008, the Group had total outstanding borrowing of approximately HK\$Nil (As at 31 December 2007: HK\$4,157,000). The decrease is mainly due to the repayment of principal and interests of the outstanding borrowings to Sun Wah on 18 February 2008.

### **Capital structure**

As at 30 June 2008, the Company's total number of issued shares was 2,573,486,856 (As at 31 December 2007: 2,361,711,403).

### **Gearing ratio**

As at 30 June 2008, the gearing ratio of the Group was nil (31 Dec 2007: 0.046), based on the total borrowings of approximately HK\$nil (31 Dec 2007: approximately HK\$4,157,000) and total equity of approximately HK\$103,880,000 (31 Dec 2007: approximately HK\$89,423,000).

### **Segment comments**

For the six months ended 30 June 2008, as compared among the four business segments, (i) web page design and website maintenance; (ii) staff secondment and system integration; (iii) information technology consultancy services; and (iv) trading of hardware and software, the segment revenue and segment results of segment (iv) indicated to be a relatively profitable business segment. Hence, the Group would consolidate its resources to focus on this segment and at the same time explore new investment opportunities in the PRC.

### **Employee information**

As at 30 June 2008, the Group employed a total of 10 (30 June 2007: 18) employees. The staff costs, excluding directors' emoluments and employee share options benefits, were approximately HK\$1,200,000 (30 June 2007: HK\$783,000). The increase in staff costs is mainly due to the staff salary increment and expansion of the management team of the Group.

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 of the Company may be granted to the executive directors and full-time employees of the Group. The aim of the scheme is to encourage staff contribution to the Group and retain key staff members.

Full time employees of the Group are remunerated with basic salary, performance bonus, employee insurance and mandatory provident funds.

### Charges on group assets

As at 30 June 2008, a fixed deposit of HK\$200,000 was pledged for obtaining the corporate card services (31 December 2007: HK\$200,000).

### Exchange rate risk

For the six months ended 30 June 2008, most of Group's transactions were conducted in Hong Kong dollars and with few transactions occasionally conducted in Renminbi. In this respect, the Group was not exposed to any significant foreign exchange risk.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

### Long positions in the ordinary shares of HK\$0.0005 each in the Company ("Shares") and underlying Shares of the Company

As at 30 June 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:

Name of Director	Capacity	Attributable interest to the Director	Number of Shares held	Number of share options	Number of Shares and underlying Shares
Mr. Choi Koon Ming ("Mr. Choi") (Note 1)	Beneficial owner	100% (directly)	7,860,000	–	7,860,000
Mr. Chow Yeung Tuen, Richard ("Mr. Chow") (Note 2)	Beneficial owner	100% (directly)	1,260,000	–	1,260,000
Mr. Leung Ngai Man ("Mr. Leung") (Note 3)	Through a controlled corporation	100%	383,288,000	–	383,288,000
Mr. Ng Kwok Chu, Winfield ("Mr. Ng") (Note 4)	Beneficial owner	100% (directly)	945,000	–	945,000



- Notes: 1. Mr. Choi retired from his offices of an executive Director and the chairman of the Board on 31 March 2008.
2. Mr. Chow resigned as an executive Director on 15 February 2008.
3. Mr. Leung, an executive Director and the former chief executive officer of the Company, re-designated as the chairman of the Board on 31 March 2008, is the beneficial owner of Speedy Well Investments Limited (“Speedy Well”), a company incorporated in the British Virgin Islands and a substantial shareholder of the Company which held 383,288,000 Shares as at the date of this report.
4. Subsequent to the balance sheet date, 20,000,000 share options at an exercise price of HK\$0.1328 each were granted to Mr. Ng on 10 July 2008.
5. Subsequent to the balance sheet date, 20,000,000 and 2,500,000 share options at an exercise price of HK\$0.1328 each were granted to Ms. Wu Wei Hua and Mr. Liu Jia Qing respectively.

Save as disclosed above, as at 30 June 2008, none of the Directors or 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 Division 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 Old Scheme

The Company adopted a share option scheme on 19 February 2001 (“Old Scheme”). The principal purpose of the Old Scheme is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group’s long term success and prosperity.

Detailed movements in the Old Scheme are as follows:

Name or category of participant	Date of grant	Exercise price* HK\$	Exercise period	Movement of option shares during the period				
				As at 01.01.2008*	Granted	Exercised*	Lapsed	As at 30.06.2008
Employee	11.04.2007	0.0475	11.04.2007 – 18.02.2011	9,900,000	–	9,900,000	–	–
Total				<u>9,900,000</u>	<u>–</u>	<u>9,900,000</u>	<u>–</u>	<u>–</u>

\* The number of share options exercised and the exercise price were adjusted due to the share subdivision which became effective on 23 August 2007.

## The New Scheme

The Company adopted a new share option scheme on 29 June 2007 (“New Scheme”) and refreshed its 10% limit on the grant of options on 13 June 2008. The principal purpose of the New Scheme is to motivate and give incentives to the eligible participants as defined in the New Scheme for their contribution to the Group.

Detailed movements in the New Scheme are as follows:

Name or category of participant	Date of grant	Exercise price* HK\$	Exercise period	Movement of option shares during the period				As at 30.06.2008*
				As at 01.01.2008*	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
Total				<u>178,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>178,000,000</u>

\* The number of share options exercised and the exercise price were adjusted due to the share subdivision which became effective on 23 August 2007.

As at 1 January 2008 and 30 June 2008, no option granted under the Old Scheme remained outstanding.

Subsequent to the balance sheet date, on 10 July 2008, 62,500,000 share options (20,000,000 share options of which were granted to each of two executive Directors, namely Mr. Ng and Ms. Wu Wei Hua, 2,500,000 share options of which were granted to an independent non-executive Director, namely Mr. Liu Jia Qing and 20,000,000 share options of which were granted to a senior management of the Company) and 80,000,000 share options (all are the consultants of the Company) had been granted under the New Scheme at an exercise price of HK\$0.1328 each. The closing price of the Shares as at 9 July 2008, being the day immediately before the date on which the options were granted, was HK\$0.1290 per Share. As at the date of this report, no option granted under the New Scheme was exercised.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 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 of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of in 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 of the Company	Capacity	Number of Shares held	Number of underlying Shares	Number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company as at 30 June 2008
Speedy Well <i>(Note 1)</i>	Beneficial owner	383,288,000	–	383,288,000	14.89%
Mr. Li Ming Han	Beneficial owner	61,818,180	102,272,727	164,090,907	6.74%

*Notes:* 1. Speedy Well is a company incorporated in the British Virgin Islands and beneficially owned by Mr. Leung who is an executive Director and the chairman of the Board.

2. **Subsequent to the balance sheet date, as at 4 August 2008, UBS AG held 130,170,000 Shares, representing approximately 5.06% of the then issued share capital of the Company.**

Save as disclosed above, no persons other than the Directors or chief executive of the Company, whose interests are set out in the paragraph headed “Directors’ and chief executives’ interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations” and shareholders, whose interests are set out in the paragraph headed “Substantial shareholders’ interests and other persons’ interests and short positions in the Shares or underlying Shares” above, had registered an interest 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 in the paragraphs headed “Directors’ and chief executives’ interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations” and “Substantial shareholders’ interests and other persons’ interests and short positions in the Shares and underlying Shares” above, so far as is known to the Directors, there is no other person who has any interests or short position in the Shares and underlying Shares that is discloseable under the Section 336 of 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 has three members comprising the three independent non-executive Directors, 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 interim results for the six months ended 30 June 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 six months ended 30 June 2008, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, except that the outstanding appointment of the chief executive officer of the Company. The Company is still looking for the suitable candidate to fill the vacancy in order to comply with the CG Code.

## **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 enquiry 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 six months ended 30 June 2008.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has an interest in a business, which causes or may cause any significant competition with the business of the Group.

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

During the six months ended 30 June 2008, the Company has repurchased Shares on the Stock Exchange as follows:

Date	Number of Shares repurchased	Purchase price per Share		
		Highest HK\$	Lowest 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 purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

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

Hong Kong, 11 August 2008

*As at the date hereof, 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.*