



## 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)

### FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2008

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

## HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2008 was approximately HK\$776,000 with a significant increase of approximately 7.3 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\$4,432,000 for the three months ended 31 March 2008, which increased by approximately 4.3 times as compared with that for the corresponding period in 2007.
- The unaudited loss per share for loss attributable to the equity holders of the Company was approximately HK(0.18) cent for the three months ended 31 March 2008.

## RESULTS

The board of directors (“**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2008 together with the comparative figures for the corresponding period in 2007 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENT

*For the three months ended 31 March 2008*

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>776</b>	107
Cost of sales		<b>(568)</b>	(118)
<b>Gross profit/(loss)</b>		<b>208</b>	(11)
Other operating income		<b>491</b>	11
Selling and distribution expenses		<b>(69)</b>	(47)
Administrative expenses		<b>(5,028)</b>	(590)
Operating loss		<b>(4,398)</b>	(637)
Finance costs	4	<b>(34)</b>	(398)
<b>Loss before income tax</b>	5	<b>(4,432)</b>	(1,035)
Income tax expenses	6	–	–
<b>Loss for the period</b>		<b>(4,432)</b>	(1,035)
Attributable to:			
Equity holders of the Company		<b>(4,432)</b>	(1,035)
<b>Loss per share for loss attributable to the equity holders of the Company</b>			(restated)
– Basic	7	<b>(HK0.18 cent)</b>	(HK0.07 cent)
– Diluted		N/A	N/A

Notes:

## 1. Basis of preparation

The unaudited consolidated income statement of the Group for the three months ended 31 March 2008 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

## 2. Significant accounting policies

The significant accounting policies used in the preparation of the unaudited consolidated income statement for the three months ended 31 March 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 new and amended HKFRSs did not result in any significant changes to the Group’s accounting policies and to the amounts or disclosures in the unaudited consolidated income statement.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s unaudited consolidated income statement.

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>3</sup>
HKFRS 2 (Amendment)	Share Based Payment <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)-Int 2	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

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

2 Effective for annual periods beginning on or after 1 January 2008

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

4 Effective for annual periods beginning on or after 1 July 2008

## 3. Revenue

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 during three months ended 31 March 2008 after eliminations of all significant intra-group transactions.

## 4. Finance costs

Interest charges on financial liabilities stated at amortised cost:

Loans from Sun Wah Net Investment Limited (“**Sun Wah**”), wholly repayable within one year

Three months ended	
31 March	
2008	2007
(Unaudited)	(Unaudited)
HK\$’000	HK\$’000
34	398

## 5. Loss before income tax

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Crediting:		
Bank interest income on financial assets stated at amortised cost	<b>36</b>	11
	<b>=====</b>	<b>=====</b>
Charging:		
Cost of goods sold	<b>428</b>	–
Cost of services provided*	<b>140</b>	118
Auditors' remuneration	<b>90</b>	53
Depreciation	<b>121</b>	8
Amortisation of prepaid lease payments	<b>78</b>	–
Employee benefit expense (excluding Directors' emoluments):		
– Wages and salaries	<b>605</b>	289
– Pension scheme contributions (MPF)	<b>23</b>	13
Directors' emoluments	<b>247</b>	105
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	<b>11</b>	15
– Computer server	<b>2</b>	3
	<b>=====</b>	<b>=====</b>

\* *Cost of services provided included HK\$138,000 (2007: HK\$ Nil) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.*

## 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 ended 31 March 2008 and the corresponding period in 2007.

Profits tax of subsidiaries operating outside Hong Kong have not been provided as the subsidiaries either have tax losses brought forward to wholly offset the assessable profits in respective jurisdictions or they did not generate any assessable profits in the respective jurisdictions during the three months ended 31 March 2008 and the corresponding period in 2007.

The Group did not have any significant unprovided deferred tax liabilities as at 31 March 2008 and 31 March 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 ended 31 March 2008 of approximately HK\$4,432,000 (three months ended 31 March 2007: HK\$1,035,000) and on the weighted average number of 2,404,107,366 ordinary shares (three months ended 31 March 2007: 1,507,440,000 ordinary shares (restated)) of the Company in issue during the three months ended 31 March 2008. As at the date of this announcement, the issued shares of the Company decreased from 2,432,975,038 ordinary shares of HK\$0.0005 each to 2,430,305,038 ordinary shares of HK\$0.0005 each following the repurchase of 2,670,000 shares on 18 and 20 March 2008. Such 2,670,000 repurchased shares were excluded from calculation of loss per share as if the issued share capital was cancelled on the date of repurchase by the Company although the cancellation was subsequently completed on 9 April 2008.

The weighted average number of shares for the purposes of calculating basic earnings per share for the three months ended 31 March 2007 has been restated to reflect the share subdivision as detailed in the Company's circular dated 3 August 2007.

Diluted loss per share for the three months ended 31 March 2008 and that for the corresponding period in 2007 have not been disclosed as the share options and unlisted warrants outstanding, if any, during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

## 8. Reserves

	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	-	-	-	(21)	-	(25,021)	(25,042)
Loss for the period	-	-	-	-	-	(1,035)	(1,035)
<b>At 31 March 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>(26,056)</b>	<b>(26,077)</b>
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	-	-	-	-	-	(4,432)	(4,432)
Total recognised income and expense for the period	-	-	-	(25)	-	(4,432)	(4,457)
Exercise of warrants	6,781	-	-	-	(61)	-	6,720
Proceeds from shares issued under share option scheme	650	-	(185)	-	-	-	465
Share repurchased	(489)	1	-	-	-	(1)	(489)
<b>At 31 March 2008</b>	<b>129,367</b>	<b>1</b>	<b>9,587</b>	<b>(64)</b>	<b>198</b>	<b>(48,608)</b>	<b>90,481</b>

## 9. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and financial review

For the three months ended 31 March 2008, the Group recorded an unaudited revenue of approximately HK\$776,000, with a significant increase of approximately 7.3 times as compared with that for the corresponding period in 2007. During the three months ended 31 March 2008, the revenue of the Group was primarily derived from the provision of information technology consultancy services, staff secondment and system integration and trading of hardware and software. The increase is mainly due to a rise in the revenue generated from trading of hardware and software.

For the three months ended 31 March 2008, the unaudited loss attributable to equity holders of the Company increased by approximately 4.3 times as compared with that for the corresponding period in 2007 mainly because of the increased administrative expenses for the three months ended 31 March 2008.

On 26 November 2007, E-silkroad.net Corporation, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sun Rise Int'l Trading Limited ("**Sun Rise**") in relation to an acquisition of 49% equity interests in Leland Solutions Limited from Sun Rise. (*Details of this acquisition are set out in the announcement of the Company dated 27 November 2007 and the circular of the Company dated 29 January 2008*). An ordinary resolution regarding this acquisition was passed on 15 February 2008 at an extraordinary general meeting by the shareholders of the Company and completion of such acquisition took place on 19 February 2008. On 18 February 2008, the Company fully repaid the principal and accrued interest of the loan of HK\$3,200,000 granted by Sun Wah on 13 June 2006. The full repayment of such loan has largely reduced the Company's interest burden and regular expenditure to a certain extent.

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 turns 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 the circular of the Company dated 23 January 2008 and 13 May 2008 respectively).

## **Prospect**

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 information technology consultancy services 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.

## **Capital structure**

As at 31 March 2008, the Company’s total number of issued shares was 2,432,975,038 ordinary shares of HK\$0.0005 each (31 March 2007: 75,372,000 ordinary shares of HK\$0.01 each). As at the date of this announcement, the issued shares of the Company decreased to 2,430,305,038 ordinary shares of HK\$0.0005 each following the cancellation of a total of 2,670,000 shares, of which 1,500,000 shares and 1,170,000 shares were repurchased by the Company on 18 and 20 March 2008 respectively. The cancellation of these 2,670,000 shares was subsequently completed on 9 April 2008.

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

As at 31 March 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 position in the ordinary shares of HK\$0.0005 each of the Company (“Shares”)

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Choi Koon Ming (“ <b>Mr. Choi</b> ”) (Note 1)	Beneficial owner	7,860,000	0.32%
Mr. Chow Yeung Tuen, Richard (“ <b>Mr. Chow</b> ”) (Note 2)	Beneficial owner	1,260,000	0.05%
Mr. Leung Ngai Man (“ <b>Mr. Leung</b> ”) (Note 3)	Through a controlled corporation	383,288,000	15.76%
Mr. Ng Kwok Chu, Winfield	Beneficial owner	945,000	0.04%

Note: 1. Mr. Choi retired from his office 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 office 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.



Save as disclosed above, as at 31 March 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 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.

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

As at 31 March 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 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 as general meeting of any other members of the Group were as follows:

### **Long positions in the Shares and underlying Shares**

<b>Name of substantial shareholder of the Company</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Number of underlying Shares</b>	<b>Approximate percentage of issued share capital of the Company</b>
Speedy Well ( <i>Note</i> )	Beneficial owner	383,288,000	–	15.76%
Li Man Han	Beneficial owner	61,818,180	102,272,727	6.74%
Fortis Investment Management SA	Investment manager	178,830,000	–	7.64%

*Note: 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.*

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’ interest and other persons’ interests and short positions in the Shares and 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 an interest 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 announcement, the audit committee had 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 first quarterly results for the three months ended 31 March 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**

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company.

During the period under review, the Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (“**CG Code**”) as set out in Appendix 15 of 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 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 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 three months ended 31 March 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 three months ended 31 March 2008, the Company purchased a total of 2,670,000 shares of HK\$0.0005 each in the capital of the Company at prices ranging from HK\$0.182 to HK\$0.185 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of Shares repurchased	Purchase price per share		Aggregate purchase consideration
		Highest	Lowest	
18 March 2008	1,500,000	0.183	0.182	0.182
20 March 2008	1,170,000	0.185	0.185	0.185

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 three months ended 31 March 2008.

By Order of the Board  
**China Metal Resources Holdings Limited**  
**Leung Ngai Man**  
*Chairman*

Hong Kong, 13 May 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.*