



China Metal Resources Holdings Limited
中國金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8071)

THIRD QUARTERLY REPORT

2010

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

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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 of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

HIGHLIGHTS

- The unaudited revenue of the Group for the three months and nine months ended 30 September 2010 were approximately HK\$591,000 and HK\$1,677,000 respectively, which increased by approximately 13.65% and 53.15% respectively as compared with that for the respective corresponding period in 2009.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$27,813,000 for the nine months ended 30 September 2010, which decreased by approximately 87.87% as compared with that for the corresponding period in 2009.
- The unaudited loss per share for loss attributable to owners of the Company was approximately HK0.65 cents for the nine months ended 30 September 2010.

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 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2010

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	591	520	1,677	1,095
Cost of sales		<u>(371)</u>	<u>(484)</u>	<u>(1,367)</u>	<u>(1,024)</u>
Gross profit		220	36	310	71
Other operating income		5	49	46	53
Administrative expenses		(6,339)	(2,888)	(15,626)	(15,298)
Impairment of supply contract		–	(287,020)	–	(287,020)
Other operating expenses		–	(422)	–	(422)
Finance costs	4	(13,422)	(1,691)	(13,422)	(19,653)
Share of loss of an associate		<u>(29)</u>	<u>–</u>	<u>(29)</u>	<u>–</u>
Loss before income tax	5	(19,565)	(291,936)	(28,721)	(322,269)
Income tax (expense)/credit	6	<u>–</u>	<u>44,257</u>	<u>(6)</u>	<u>44,257</u>
Loss for the period		<u>(19,565)</u>	<u>(247,679)</u>	<u>(28,727)</u>	<u>(278,012)</u>
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations		26,729	(79)	37,756	(439)
Share of other comprehensive income of an associate		<u>5</u>	<u>–</u>	<u>5</u>	<u>–</u>
Other comprehensive income/(loss) for the period (net of tax)		<u>26,734</u>	<u>(79)</u>	<u>37,761</u>	<u>(439)</u>
Total comprehensive income/(loss) for the period		<u>7,169</u>	<u>(247,758)</u>	<u>9,034</u>	<u>(278,451)</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:				
Owners of the Company	(18,751)	(199,077)	(27,813)	(229,306)
Non-controlling interests	<u>(814)</u>	<u>(48,602)</u>	<u>(914)</u>	<u>(48,706)</u>
	<u>(19,565)</u>	<u>(247,679)</u>	<u>(28,727)</u>	<u>(278,012)</u>
Total comprehensive income/(loss)				
attributable to:				
Owners of the Company	7,791	(199,156)	9,703	(229,745)
Non-controlling interests	<u>(622)</u>	<u>(48,602)</u>	<u>(669)</u>	<u>(48,706)</u>
	<u>7,169</u>	<u>(247,758)</u>	<u>9,034</u>	<u>(278,451)</u>
Loss per share for loss attributable to				
owners of the Company				
– Basic and diluted	7	<u>(HK0.39 cents)</u>	<u>(HK5.7 cents)</u>	<u>(HK0.65 cents)</u>
				<u>(HK7.6 cents)</u>

Notes:

1. Basis of preparation

The unaudited consolidated statement of comprehensive income of the Group for the three months and nine months ended 30 September 2010 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

These unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised HKFRSs (which include individual Hong Kong Financial Reporting Standards, HKASs and Ints) as disclosed in note 2 below.

2. Significant accounting policies

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRS 1 and HKFRS 5 as a part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 7 (Revised)	Disclosures – Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial asset) ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*

² *Effective for annual periods beginning on or after 1 February 2010.*

³ *Effective for annual periods beginning on or after 1 July 2010.*

⁴ *Effective for annual periods beginning on or after 1 January 2011.*

⁵ *Effective for annual periods beginning on or after 1 July 2011.*

⁶ *Effective for annual periods beginning on or after 1 January 2013.*

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The Group is in the process of making an assessment of the impact of the other new and revised standards, amendments and interpretations upon initial application. So far, it has concluded that the other new and revised standards, amendments and interpretations are unlikely to have a significant impact on the Group’s results of operations and financial position.

3. Revenue and turnover

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

4. Finance costs

	Three months ended 30 September 2010		Nine months ended 30 September 2010	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Effective interest expense on convertible bonds	4,758	1,691	4,758	19,653
Effective interest expense on promissory note	8,664	–	8,664	–
	<u>13,422</u>	<u>1,691</u>	<u>13,422</u>	<u>19,653</u>

5. Loss before income tax

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

	Three months ended 30 September 2010		Nine months ended 30 September 2010	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Crediting:				
Bank interest income on financial assets stated at amortised cost	(4)	(2)	(36)	(6)
Gain on disposal of a subsidiary	–	(45)	–	(45)
Charging:				
Cost of goods sold	371	468	1,284	916
Cost of services provided*	–	16	83	108
Auditors' remuneration	80	105	240	319
Depreciation	138	35	243	94
Net foreign exchange loss	263	–	263	1
Employee benefit expense (excluding Directors' emoluments):				
– Wages and salaries*	850	579	1,675	1,807
– Pension scheme contributions (MPF)	28	11	44	36
– Employee share options benefits	–	–	3,537	5,842
Directors' emoluments	1,164	864	2,892	2,592
Minimum lease payments paid under operating lease in respect of:				
– Land and buildings	239	174	614	416
Loss on redemption of convertible bonds**	–	422	–	422
	<u>–</u>	<u>422</u>	<u>–</u>	<u>422</u>

* Cost of services provided for the three months and nine months ended 30 September 2010 are nil and HK\$83,000 respectively relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

** Those are included in other operating expenses.

6. Income tax (expense)/credit

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC enterprise income tax	–	–	(6)	–
Deferred tax	–	44,257	–	44,257
	<u>–</u>	<u>44,257</u>	<u>–</u>	<u>44,257</u>
	<u><u>–</u></u>	<u><u>44,257</u></u>	<u><u>(6)</u></u>	<u><u>44,257</u></u>

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 2010 and the corresponding periods in 2009.

Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group did not have any significant unprovided deferred tax liabilities as at 30 September 2010 and 30 September 2009.

7. Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to owners of the Company during the three months and nine months ended 30 September 2010 of approximately HK\$18,751,000 and HK\$27,813,000 respectively (three months and nine months ended 30 September 2009: approximately HK\$199,077,000 and HK\$229,306,000 respectively) and the weighted average number of approximately 4,834,871,000 ordinary shares of the Company in issue during the three months ended 30 September 2010 and approximately 4,265,521,000 ordinary shares of the Company in issue during the nine months ended 30 September 2010 (three months and nine months ended 30 September 2009: 3,503,848,000 and 3,031,405,000 ordinary shares of the Company).

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the share option scheme adopted by the Company on 29 June 2007 ("Share Option Scheme") and convertible bonds, since their exercise and conversion would have an anti-dilutive effect.

8. Convertible bonds

Details of the terms of the convertible bonds are set out in the Company's circular dated 30 July 2010.

On 2 September 2010, 720,000,000 shares were issued upon exercise of the convertible bonds.

Imputed interest expenses of approximately HK\$4,758,000 has been recognised in the unaudited consolidated statement of comprehensive income in respect of the convertible bonds for the three months and nine months ended 30 September 2010.

As at 30 September 2010, the carrying amount of the liability component at amortised cost was approximately HK\$553,543,000 (2009: HK\$61,746,000).

9. Reserves

	Equity attributable to owners of the Company								Non-controlling interest	Total
	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Share option reserve	Translation reserve	Other reserve	Accumulated loss	Subtotal		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Balance at 1 January 2009	1,006,434	1	115,682	14,655	(77)	(49)	(94,294)	1,042,352	50,668	1,093,020
Loss for the period	-	-	-	-	-	-	(229,306)	(229,306)	(48,706)	(278,012)
Other comprehensive loss for the period	-	-	-	-	(439)	-	-	(439)	-	(439)
Total comprehensive loss for the period	-	-	-	-	(439)	-	(229,306)	(229,745)	(48,706)	(278,451)
Recognition of equity-settled share-based payments	-	-	-	5,842	-	-	-	5,842	-	5,842
Proceeds from shares issued under share option scheme	17,761	-	-	(5,842)	-	-	-	11,919	-	11,919
Exercise of convertible bonds	367,277	-	(93,973)	-	-	-	-	273,304	-	273,304
Redemption of convertible bonds	-	-	(1,079)	-	-	-	(291)	(1,370)	-	(1,370)
Balance at 30 September 2009	1,391,472	1	20,630	14,655	(516)	(49)	(323,891)	1,102,302	1,962	1,104,264

	Equity attributable to owners of the Company								Non-controlling interest	Total
	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Share option reserve	Translation reserve	Other reserve	Accumulated loss	Subtotal		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Balance at 1 January 2010	1,475,357	1	-	18,486	(4,732)	(49)	(459,550)	1,029,513	1,843	1,031,356
Loss for the period	-	-	-	-	-	-	(27,813)	(27,813)	(914)	(28,727)
Other comprehensive income for the period	-	-	-	-	37,516	-	-	37,516	245	37,761
Total comprehensive income for the period	-	-	-	-	37,516	-	(27,813)	9,703	(669)	9,034
Shares issued on acquisition of subsidiaries	33,400	-	-	-	-	-	-	33,400	-	33,400
Minority interests arising on the acquisition of subsidiaries	-	-	-	-	-	-	-	-	9,709	9,709
Issue of new shares	141,710	-	-	-	-	-	-	141,710	-	141,710
Transactions costs attributable to issue of new shares	(2,736)	-	-	-	-	-	-	(2,736)	-	(2,736)
Lapse of share options	-	-	-	(1,118)	-	-	1,118	-	-	-
Recognition of equity-settled share-based payments	-	-	-	3,537	-	-	-	3,537	-	3,537
Proceeds from shares issued under Share Option Scheme	24,196	-	-	(6,769)	-	-	-	17,427	-	17,427
Recognition of equity component of convertible bonds	-	-	439,210	-	-	-	-	439,210	-	439,210
Conversion of convertible bonds	172,302	-	(95,167)	-	-	-	-	77,135	-	77,135
Deferred tax charged to equity	-	-	(72,470)	-	-	-	-	(72,470)	-	(72,470)
Deferred tax relating to conversion of convertible bonds	-	-	15,703	-	-	-	-	15,703	-	15,703
Balance at 30 September 2010	<u>1,844,229</u>	<u>1</u>	<u>287,276</u>	<u>14,136</u>	<u>32,784</u>	<u>(49)</u>	<u>(486,245)</u>	<u>1,692,132</u>	<u>10,883</u>	<u>1,703,015</u>

10. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months and nine months ended 30 September 2010, the Group recorded an unaudited revenue of approximately HK\$591,000 and HK\$1,677,000, which increased by approximately 13.65% and 53.15% as compared with that of the respective corresponding period in 2009. The revenue of the Group was primarily derived from the trading of computer hardware and software business and staff secondment business. There was a gross profit of approximately HK\$310,000 sustained for the nine months ended 30 September 2010. Such gross profit was increased by the amount of approximately HK\$239,000, as compared with the gross profit for the nine months ended 30 September 2009.

For the nine months ended 30 September 2010, the unaudited loss attributable to owners of the Company of approximately HK\$27,813,000 decreased by approximately 88% as compared with that for the corresponding period in 2009 as a result of the impairment loss of supply contract.

Significant acquisition

On 27 August 2010, the Group has completed the acquisition (“**Acquisition**”) of 51% equity interest of 深圳環彩普達科技有限公司 (Shenzhen Huancai Puda Technology Company Limited, being its unofficial English name) (“**Shenzhen Huancai**”) at a total consideration of HK\$2,112.5 million. Details of the acquisition were set out in the Company’s circular dated 30 July 2010 and announcements dated 24 June 2010 and 27 August 2010 respectively.

Following the completion of the Acquisition, Mr. Leung Ngai Man (“**Mr. Leung**”) and Ms. Wu Wei Hua, both are the executive Directors, and the following two senior executives (including the existing management of Shenzhen Huancai) have been involved in the operation of Shenzhen Huancai:

- **Mr. Wu Bin**, the chief technology officer of Shenzhen Huancai, graduated from Tsinghua University in the People’s Republic of China (“**PRC**”) and obtained a Master Degree in Electrical Engineering. Mr. Wu has been working in the industry of lottery business operation and electrical engineering in the PRC since 2001 and has gained extensive management experience throughout these years. Mr. Wu has over 10 years’ experience in the areas of marketing, sales, and management in the electrical engineering and information technology industry. Mr. Wu is one of the founders and shareholders of Shenzhen Huancai.

- **Mr. Ji Feng Qing**, the chief executive officer of Shenzhen Huancai, graduated from Nankai University in the PRC and obtained a Bachelor Degree in History. Currently, Mr. Ji is studying for the Master of Finance in Nankai University. Mr. Ji has been working in the industry of lottery business operation and information technology in the PRC since 1993 and has gained extensive management experience throughout these years. Mr. Ji has over 17 years' experience in the areas of marketing, sales, finance and management in the information technology industry. Mr. Ji is one of the founders and shareholders of Shenzhen Huancai.

Outlook and prospect

The Board will, review on a regular basis, the business environment of its different operating units, and will decide whether and, if so, to what extent the Group's resources will have to be adjusted and/or reallocated to each of them in accordance with their respective growth potentials and prospective profits contribution to the Group. Since the Directors recognize the huge potential growth opportunity in the PRC lottery market as this market is under rapid development, the Group will allocate more resources its operating unit which provides services to the PRC lottery market. Meanwhile, the Group will also proactively explore other lottery-related business opportunity in the PRC.

Capital structure

As at 30 September 2010, the Company's total number of issued shares was 5,835,570,247 shares (31 December 2009: 3,625,855,247 shares).

Issue of consideration shares

Upon completion of the Acquisition, 200,000,000 consideration shares in the aggregate principal amount of HK\$48 million were allotted and issued to Mr. Leung, being the vendor in the Acquisition, as part of the consideration.

Conversion of convertible bonds

On 30 August 2010, the Company received a notice from Mr. Leung requesting to exercise his rights to convert the convertible bonds amounting to HK\$172,800,000 in exchange for 720,000,000 shares. Such shares were allotted and issued on 2 September 2010.

Placing of existing shares and subscription of new shares

On 30 August 2010, the Company had successfully placed 588,405,000 new shares ("**Placing Shares**") at the price of HK\$0.143 per placing share ("**Placing Price**") to not fewer than six placees, who and whose ultimate beneficial owners are not connected persons of the Company and its connected persons ("**Placing**").

On 3 September 2010, completion of subscription took place and an aggregate of 588,405,000 subscription shares (“**Subscription Shares**”) (equivalent to the number of the Placing Shares placed) were allotted and issued at the subscription price of HK\$0.143 per Subscription Share (equivalent to the Placing Price) (“**Subscription**”). The Placing Shares (and the Subscription Shares) represented approximately 10.08% of the then issued share capital of the Company as enlarged by the Placing and Subscription. The net proceeds from the Subscription of approximately HK\$82 million was received and will be used for future potential business acquisitions and for general working capital of the Group.

EVENTS AFTER THE REPORTING PERIOD

Conversion of convertible bonds

On 8 October 2010, the Company received a notice from Mr. Leung, an executive Director and the holder of the convertible bonds, requesting to exercise his rights to convert the convertible bonds amounting to HK\$298,800,000 in exchange for 1,245,000,000 shares. Such shares were allotted and issued on 13 October 2010.

Refreshment of general mandate to allot and issue shares

The Company proposed to refresh the general mandate to allot, issue and deal with up to a maximum of 1,416,114,049 new Shares, being the 20% of the total number of Shares in issue as at the date of this report, details of which were disclosed in the Company’s circular dated 26 October 2010. An extraordinary general meeting will be convened on 12 November 2010 to approve the refreshment of general mandate to allot and issue shares.

Resignation of Director

Mr. Wang Jun Sui, a former independent non-executive Director, resigned on 28 October 2010. Mr. Wang also ceased to act as members of the Audit Committee and the Remuneration Committee.

Following the resignation of Mr. Wang Jun Sui as an independent non-executive Director and a member of the audit committee of the Company on 28 October 2010 and up to the date of this report, the number of independent non-executive Directors and audit committee members of the Company fell below the minimum number required under rules 5.05(1) and 5.28 of the GEM Listing Rules respectively. The Company is in the process of identifying a suitable candidate to fill the vacancy in order to comply with the GEM Listing Rules.

Acquisition of interests and capital investment in 北京市彩贏樂科技有限公司 (Beijing Caiyingle Technology Company Limited, being its unofficial English name) (“Target Company”)

On 6 November 2010, Media Hong Kong Investment Limited (“**Purchaser**”), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with the 60% owner of the Target Company (“**First Vendor**”) and the 40% owner of the Target Company regarding the acquisition of 65% interests in the Target Company at a total consideration of RMB7,750,000 (“**Transfer**”). After the Transfer, the Target Company will be owned as to 65% by the Purchaser and 35% by the First Vendor respectively.

On the same date, the Purchaser and the First Vendor entered into an increase in registered capital agreement regarding the increase of the registered capital of the Target Company in proportion to their equity interest from RMB5,000,000 to RMB14,285,700 (“**Increase**”).

The Board considers that the acquisition of interests will generate revenues for the Company as well as provide synergies in conjunction with the lottery sales services business that was acquired by the Group in August 2010. The Directors are of the view that the Transfer and the Increase will consolidate the Company’s presence and business development in the provision of services in the PRC lottery market, which is in line with the long term strategy of the Company. Details of the above transactions were set out in the Company’s announcements dated 21 October 2010 and 8 November 2010.

Proposed Change of company name

The Board proposed to change the English name of the Company from “China Metal Resources Holdings Limited” to “China Netcom Technology Holdings Limited” and the Chinese name of the Company from “中國金屬資源控股有限公司” to “中彩網通控股有限公司”.

Following the completion of the Acquisition of Shenzhen Huancai which is engaged in the development and provision of operation software system sector of the PRC lottery market, the Board believes that the new company names will better reflect the Company’s identity and image and will benefit its future development which are in the interests of the shareholders of the Company (“**Shareholders**”) and the Company as a whole.

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

As at 30 September 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares

Name of Director	Capacity	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of issued share capital
Mr. Leung Ngai Man	Beneficial owner	1,622,615,000	2,602,916,666 <i>(Note 1)</i>	4,225,531,666	72.41%
	Through a controlled corporation	1,474,400 <i>(Note 2)</i>	–	1,474,400	0.03%
Mr. Ng Kwok Chu, Winfield	Beneficial owner	472,500	10,000,000 <i>(Note 3)</i>	10,472,500	0.18%
Ms. Wu Wei Hua	Beneficial owner	–	10,000,000 <i>(Note 3)</i>	10,000,000	0.17%

Notes:

- Mr. Leung was issued convertible bonds in an aggregate principal amount of HK\$797,500,000 on 27 August 2010 at a conversion price of HK\$0.24 per share. Upon full conversion of the convertible bonds, a maximum of 3,322,916,666 Shares will be issued to Mr. Leung. As at 30 September 2010, convertible bonds in the amount of HK\$624,700,000 remains outstanding. Subsequent to the reporting period, Mr. Leung exercised his rights to convert the convertible bonds amounting to HK\$298,800,000 in exchange for 1,245,000,000 shares. As at the date of this report, convertible bonds in the amount of HK\$325,900,000 remains outstanding. The interests constitute a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

2. 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 is deemed to be interested in the shares held by Speedy Well.
3. These underlying shares are related to the share options granted on 10 July 2008 pursuant to the Share Option Scheme. As the share consolidation became effective on 21 October 2008, the number of share options granted was adjusted from 20,000,000 shares of HK\$0.0005 each to 10,000,000 shares of HK\$0.001 each and the subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per share. The share options would be exercisable during the period from 10 July 2008 to 29 June 2017. The interests constitute a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

Save as disclosed above, as at 30 September 2010, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken that was required to be recorded pursuant to Section 352 of the SFO) or 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 the required standard of dealings by Directors as referred to in rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 September 2010, no person or company (other than the Directors or chief executive of the Company whose interests are set out in the section “**INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**” above) had an interest or short positions in the shares, underlying shares and debentures of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors as at 30 September 2010, there is no other person who has any interest or short position in the shares and underlying shares that is discloseable under the Section 336 of the SFO.

AUDIT COMMITTEE

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

The Group's third quarterly results for the nine months ended 30 September 2010 has been reviewed by the audit committee, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules 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.

During the period under review, the Company has complied with the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 15 to the GEM Listing Rules except the following:

- Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

Currently, the role of the chairman of the Board is performed by Mr. Leung who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Leung provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company was performed by Mr. Leung and all the executive Directors who have extensive experience in the business of the Group. Their respective areas of profession spearheaded the Group's overall development and business strategies.

The Company is still looking for a 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 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 2010.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2010.

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

Hong Kong, 9 November 2010

As at the date of this report, the executive Directors are Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; and the independent non-executive Directors are Dr. Leung Wai Cheung and Mr. Cai Wei Lun.