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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

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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.

*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 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 announcement 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 announcement misleading.*

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 June 2010 was approximately HK\$1,086,000 with an increase of approximately 89% as compared with that for the corresponding period in 2009.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$9,062,000 for the six months ended 30 June 2010, which was decreased by approximately HK\$21,167,000 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 HK0.23 cents for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2010

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2010	2009	2010	2009
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	546	534	1,086	575
Cost of sales		<u>(506)</u>	<u>(484)</u>	<u>(996)</u>	<u>(540)</u>
Gross profit		40	50	90	35
Other operating income		29	2	41	4
Administrative expenses		<u>(3,306)</u>	<u>(8,097)</u>	<u>(9,287)</u>	<u>(12,410)</u>
Operating loss		(3,237)	(8,045)	(9,156)	(12,371)
Finance costs	5	<u>–</u>	<u>(17,962)</u>	<u>–</u>	<u>(17,962)</u>
Loss before income tax	6	(3,237)	(26,007)	(9,156)	(30,333)
Income tax expense	7	<u>(1)</u>	<u>–</u>	<u>(6)</u>	<u>–</u>
Loss for the period		<u>(3,238)</u>	<u>(26,007)</u>	<u>(9,162)</u>	<u>(30,333)</u>
Other comprehensive income/(loss)					
Exchange difference on translating foreign operations		<u>11,197</u>	<u>66</u>	<u>11,027</u>	<u>(360)</u>
Total comprehensive income/(loss) for the period (net of tax)		<u>7,959</u>	<u>(25,941)</u>	<u>1,865</u>	<u>(30,693)</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to:				
Owners of the Company	(3,192)	(25,903)	(9,062)	(30,229)
Non-controlling interests	<u>(46)</u>	<u>(104)</u>	<u>(100)</u>	<u>(104)</u>
	<u>(3,238)</u>	<u>(26,007)</u>	<u>(9,162)</u>	<u>(30,333)</u>
Total comprehensive loss attributable to:				
Owners of the Company	7,959	(25,837)	1,912	(30,589)
Non-controlling interests	<u>–</u>	<u>(104)</u>	<u>(47)</u>	<u>(104)</u>
	<u>7,959</u>	<u>(25,941)</u>	<u>1,865</u>	<u>(30,693)</u>
Loss per share for loss attributable to owners of the Company				
– Basic and diluted (HK cents)	<u>(0.07)</u>	<u>(0.92)</u>	<u>(0.23)</u>	<u>(1.08)</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		(Unaudited) 30 June 2010 <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	627	277
Goodwill		1,013,243	1,002,198
Other intangible assets		22,442	22,158
		<u>1,036,312</u>	<u>1,024,633</u>
Current assets			
Trade receivables	10	52	41
Prepayments, deposits and other receivables		67,405	539
Pledged deposit		209	209
Cash and bank balances		14,079	11,422
		<u>81,745</u>	<u>12,211</u>
Current liabilities			
Other payables and accrued expenses		1,829	1,851
Current tax liabilities		–	11
		<u>1,829</u>	<u>1,862</u>
Net current assets		<u>79,916</u>	<u>10,349</u>
Total assets less current liabilities		<u><u>1,116,228</u></u>	<u><u>1,034,982</u></u>
Capital and reserves			
Share capital	11	4,327	3,626
Reserves		1,110,105	1,029,513
Equity attributable to owners of the Company		1,114,432	1,033,139
Non controlling interests		<u>1,796</u>	<u>1,843</u>
Total equity		<u><u>1,116,228</u></u>	<u><u>1,034,982</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Equity attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium account	Capital redemption reserve	Convertible bond equity reserve	Share option reserve	Translation reserve	Other reserve	Accumulated losses	Subtotal		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	2,797	1,006,434	1	115,682	14,655	(77)	(49)	(94,294)	1,045,149	50,668	1,095,817
Loss for the period	-	-	-	-	-	-	-	(30,229)	(30,229)	(104)	(30,333)
Other comprehensive loss for the period	-	-	-	-	-	(360)	-	-	(360)	-	(360)
Total comprehensive loss for the period	-	-	-	-	-	(360)	-	(30,229)	(30,589)	(104)	(30,693)
Recognition of equity-settled share-based payments	-	-	-	-	5,842	-	-	-	5,842	-	5,842
Proceeds from shares issued under share option scheme	83	7,033	-	-	(2,291)	-	-	-	4,825	-	4,825
Exercise of convertible bonds	544	367,277	-	(93,973)	-	-	-	-	273,848	-	273,848
At 30 June 2009	<u>3,424</u>	<u>1,380,744</u>	<u>1</u>	<u>21,709</u>	<u>18,206</u>	<u>(437)</u>	<u>(49)</u>	<u>(124,523)</u>	<u>1,299,075</u>	<u>50,564</u>	<u>1,349,639</u>

Equity attributable to owners of the Company

	Share capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Capital redemption reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Subtotal (unaudited) HK\$'000	Non- controlling interests (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 January 2010	3,626	1,475,357	1	18,486	(4,732)	(49)	(459,550)	1,033,139	1,843	1,034,982
Loss for the period	-	-	-	-	-	-	(9,062)	(9,062)	(100)	(9,162)
Other comprehensive income for the period	-	-	-	-	10,974	-	-	10,974	53	11,027
Total comprehensive income for the period	-	-	-	-	10,974	-	(9,062)	1,912	(47)	1,865
Issue of new shares, net of share issue expense	559	57,716	-	-	-	-	-	58,275	-	58,275
Recognition of equity-settled share-based payments	-	-	-	3,537	-	-	-	3,537	-	3,537
Proceeds from shares issued under share option scheme	142	24,196	-	(6,769)	-	-	-	17,569	-	17,569
At 30 June 2010	<u>4,327</u>	<u>1,557,269</u>	<u>1</u>	<u>15,254</u>	<u>6,242</u>	<u>(49)</u>	<u>(468,612)</u>	<u>1,114,432</u>	<u>1,796</u>	<u>1,116,228</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2010

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash used in operating activities	(37,381)	(8,408)
Net cash (used in)/from investing activities	(35,544)	12,751
Net cash from financing activities	<u>75,844</u>	<u>4,825</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,919	9,168
Effect of foreign exchange rate changes, net	(262)	(360)
Cash and cash equivalents at beginning of period	<u>11,422</u>	<u>889</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>14,079</u>	<u>9,697</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	14,079	9,645
Short term time deposits	<u>-</u>	<u>52</u>
	<u>14,079</u>	<u>9,697</u>

Notes:

1) BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance 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 provisions of the GEM Listing Rules.

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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) as disclosed in note 2 to this announcement.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

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 earlier applied the following new and revised standards, amendments or interpretations that have been issued but have not yet been effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendments)	Classification of Right Issues ¹
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2011 or 1 July 2011, as appropriate

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 during the six months ended 30 June 2010.

4) SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- (a) Staff secondment business – this segment represents the staff secondment to generate income from the staff performing system integration for the external party;
- (b) Trading of computer hardware and software business – this segment represents the trading of computer hardware and software in the People's Republic of China ("PRC"); and
- (c) Exploration of mines business – this segment represents the exploration of gold mines in the PRC.

The following table presents the revenue and results for the Group's operating segments:

	Staff secondment business (Unaudited) Six months ended 30 June 2010 2009 HK\$'000 HK\$'000		Trading of computer hardware and software business (Unaudited) Six months ended 30 June 2010 2009 HK\$'000 HK\$'000		Exploration of mines business (Unaudited) Six months ended 30 June 2010 2009 HK\$'000 HK\$'000		Consolidated (Unaudited) Six months ended 30 June 2010 2009 HK\$'000 HK\$'000	
Reportable segment revenue:								
Sales to external customers	<u>93</u>	<u>82</u>	<u>993</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>1,086</u>	<u>575</u>
Reportable segment results:	<u>(35)</u>	<u>(2)</u>	<u>(55)</u>	<u>(149)</u>	<u>(484)</u>	<u>(18,492)</u>	<u>(574)</u>	<u>(18,643)</u>
Total reportable segment results							(574)	(18,643)
Interest and other income							41	4
Employee share options benefits							(3,537)	(5,842)
Unallocated expenses							<u>(5,086)</u>	<u>(5,852)</u>
Loss before income tax							<u>(9,156)</u>	<u>(30,333)</u>

There were no material changes to total assets and liabilities from the amounts disclosed in the last annual report.

5) FINANCE COSTS

	(Unaudited) Three months ended 30 June 2010 2009 HK\$'000 HK\$'000		(Unaudited) Six months ended 30 June 2010 2009 HK\$'000 HK\$'000	
Interest charges on financial liabilities stated at amortised cost:				
– Convertible bonds	<u>-</u>	<u>17,962</u>	<u>-</u>	<u>17,962</u>

6) LOSS BEFORE INCOME TAX

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting:				
Bank interest income on financial assets stated at amortised cost	<u>(28)</u>	<u>(2)</u>	<u>(32)</u>	<u>(4)</u>
Charging:				
Cost of goods sold	459	448	913	448
Cost of services provided*	47	36	83	92
Auditors' remuneration	80	105	160	214
Depreciation	52	30	105	59
Employee benefit expenses (excluding directors' emoluments):				
Wages and salaries*	406	295	825	1,228
Pension scheme contributions (MPF)	6	15	16	25
Employee share options benefits	–	4,735	3,537	5,842
Directors' emoluments	<u>864</u>	<u>864</u>	<u>1,728</u>	<u>1,728</u>
	1,276	5,909	6,106	8,823
Minimum lease payments paid under operating leases in respect of:				
– Land and buildings	<u>153</u>	<u>175</u>	<u>375</u>	<u>242</u>

* Cost of services provided for the three months and six months ended 30 June 2010 included approximately HK\$47,000 and HK\$83,000 respectively (three months and six months ended 30 June 2009 of approximately HK\$36,000 and HK\$72,000 respectively) relating to employee benefit expenses. This amount is included in both "Cost of services provided" and "Employee benefit expenses – wages and salaries" 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 2010 and the corresponding periods in 2009.

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 their respective jurisdictions or they did not generate any assessable profits in respective jurisdictions during the three months and six months ended 30 June 2010 and the corresponding periods in 2009.

The Group did not have any significant unprovided deferred tax liabilities as at 30 June 2010 and 31 December 2009.

8) 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 six months ended 30 June 2010 of approximately HK\$3,192,000 and HK\$9,062,000 respectively (three months and six months ended 30 June 2009: approximately HK\$25,903,000 and HK\$30,229,000, respectively) and weighted average number of approximately 4,279,535,000 ordinary shares of the Company during the three months ended 30 June 2010 and approximately 3,976,127,000 ordinary shares of the Company in issue during the six months ended 30 June 2010 (three months and six months ended 30 June 2009: approximately 2,814,760,000 and six months ended 30 June 2010: approximately 2,805,681,000).

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.

9) PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Net book value, beginning of the period/year	277	392
Additions	455	1,417
Derecognised on disposal of a subsidiary	–	(1,406)
Depreciation	(105)	(126)
Net book value, end of the period/year	<u>627</u>	<u>277</u>
Cost	1,391	925
Accumulated depreciation	<u>(764)</u>	<u>(648)</u>
Net book value, end of the period/year	<u>627</u>	<u>277</u>

10) TRADE RECEIVABLES

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
Trade receivables	<u>52</u>	<u>41</u>

A defined credit policy is maintained within the Group. The general credit terms range from 30 days to 90 days (2009: 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 ageing analysis of trade receivables is as follows:

	At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
0-30 days	–	13
31-60 days	52	14
61-90 days	<u>–</u>	<u>14</u>
	<u>52</u>	<u>41</u>

11) SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised:		
At 31 December 2009, ordinary shares of HK\$0.001 each (Audited)	<u>100,000,000</u>	<u>100,000</u>
At 30 June 2010 ordinary shares of HK\$0.001 each (Unaudited)	<u>100,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2009 ordinary shares of HK\$0.001 each (Audited)	3,625,855	3,626
Share placing	559,200	559
Exercise of share options	<u>142,110</u>	<u>142</u>
At 30 June 2010 ordinary shares of HK\$0.001 each (Unaudited)	<u>4,327,165</u>	<u>4,327</u>

12) INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months and six months ended 30 June 2010, the Group recorded an unaudited revenue of approximately HK\$546,000 and HK\$1,086,000 with an increase of approximately 2% and an increase of 89% as compared with those figures in the corresponding periods in 2009 respectively. The revenue of the Group was primarily derived from the trading of computer hardware and software business and staff secondment business.

For the six months ended 30 June 2010, the unaudited loss of the Group decreased by approximately 70% as compared with that for the corresponding period in 2009 mainly because of the decrease in administrative expenses and finance costs for the six months ended 30 June 2010.

Financial Review

Liquidity and Financial Resources

The Group financed its operations primarily with internally generated cash flow as well as the cash flow generated from the exercise of share options and a share placing during the period. The Group adopted a conservative financial management strategy and maintained a healthy financial position as at 30 June 2010.

As at 30 June 2010, the Group had cash and bank balances of approximately HK\$14,079,000 (31 December 2009: HK\$11,422,000). The increase of cash and bank balances was mainly due to the exercise of share options, completion of a share placing in March 2010 and decrease in administrative expenses and finance costs during the six months ended 30 June 2010.

Capital Structure

As at 30 June 2010, the Company's total number of issued shares was 4,327,165,247 (31 December 2009: 3,625,855,247).

Placing of shares

On 25 March 2010, the Company had successfully placed 559,200,000 new shares at the price of HK\$0.105 per placing share to not fewer than six placees, who and whose ultimate beneficial owners are not connected persons of the Company and its connected persons, representing approximately 13.4% of the then issued share capital of the Company as enlarged by the placing, and net proceeds of approximately HK\$58 million was received. The net proceeds had been used for the working capital/Acquisition (as defined hereunder).

Share options

1. On 8 March 2010, 36,000,000 share options at the exercise price of HK\$0.128 were granted to a consultant of the Group pursuant to the Share Option Scheme. The share options were exercised in full and 36,000,000 shares of HK\$0.001 each (“**Shares**”) were allotted and issued on 7 May 2010;
2. On 29 March 2010, 36,000,000 share options at the exercise price of HK\$0.131 were granted to a consultant of the Group pursuant to the Share Option Scheme. The share options were exercised in full and 36,000,000 Shares were allotted and issued on 29 April 2010;
3. On 29 April 2010, 35,055,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 35,055,000 Shares options at the exercise price of HK\$0.1176 which were granted on 10 December 2009; and
4. On 7 May 2010, 35,055,000 Shares were allotted and issued to a consultant of the Group due to the exercise of 35,055,000 share options at the exercise price of HK\$0.1176 which were granted on 10 December 2009.

Significant Acquisition

On 13 May 2010, Easywin International Holdings Limited (“**Purchaser**”), being a wholly-owned subsidiary of the Company, and Mr. Leung Ngai Man (“**Vendor**”), an executive Director and a substantial shareholder of the Company, entered into an acquisition agreement (“**Acquisition Agreement**”) to acquire the entire issued share capital of Pearl Sharp Limited at a total consideration (“**Consideration**”) of HK\$2,112.5 million (“**Acquisition**”). It constituted a very substantial acquisition and connected transaction for the Company. The Consideration shall be settled in the following manner: (i) on the date of the Acquisition Agreement, an aggregate amount of HK\$67 million was paid by the Purchaser to the Vendor as the deposit and (if the Acquisition is completed) part of the Consideration; (ii) HK\$48 million shall be satisfied by the Purchaser procuring the Company to allot and issue consideration shares, credited as fully paid at the issue price of HK\$0.24 per consideration share, to the Vendor on completion; (iii) HK\$1,200 million shall be satisfied by the Purchaser procuring the Company to issue a promissory note to the Vendor on completion; and (iv) the remaining balance of the Consideration (being HK\$797.5 million) shall be satisfied by the Purchaser procuring the Company to issue convertible bonds to the Vendor on completion. Details of the Acquisition were set out in the Company’s announcement and circular dated 24 June 2010 and 30 July 2010 respectively.

Save for the acquisition disclosed above, there was no material acquisition of subsidiaries and affiliated companies of the Group during the six months ended 30 June 2010 (at 31 December 2009: Nil).

Gearing Ratio

As at 30 June 2010, the Group had no borrowing and the gearing ratio of the Group, which was calculated based on the total borrowings over total equity (as at 31 December 2009: Nil).

Segment Comments

For the six months ended 30 June 2010, the Group's staff secondment business segment recorded unaudited loss of approximately HK\$35,000, the Group's trading of computer hardware and software business segment recorded unaudited loss of approximately HK\$55,000 and the Group's exploration of mines business segment recorded unaudited loss of HK\$484,000. The Group will maintain its trading of computer hardware and software and exploration of mines business segments, and it will continue to explore new investment opportunities in the PRC.

Employee Information

As at 30 June 2010, the Group employed a total of 13 (30 June 2009: 25) employees. The staff costs for the six months ended 30 June 2010, excluding directors' emoluments and employee share options benefits, were approximately HK\$841,000 (six months ended 30 June 2009: HK\$1,253,000). The decrease in staff costs is mainly due to a decrease in headcount. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance – related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a Share Option Scheme where options to subscribe for Shares may be granted to the executive directors and employees of the Group. The aim of the scheme is to encourage 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 2010, a fixed deposit of approximately HK\$209,000 was pledged for obtaining the corporate card services (31 December 2009: HK\$209,000).

Exchange Rate Risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently, the Group does not have foreign currency hedging policy but management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Prospect

The Group is principally engaged in the trading of computer hardware and software as well as exploration of mines business in the PRC. The Group has been seeking suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In this regard, the Directors believe that the Acquisition will provide an opportunity for the Group to gain access to the promising innovative sales channel services of lottery business and welfare lottery market in the PRC and broaden the income base of the Group, thereby enhancing the Group's financial position and profitability in the future.

OTHER DISCLOSURES

1. An extraordinary general meeting will be convened on 16 August 2010 to approve the Acquisition Agreement and all the transactions contemplated thereby.
2. Subsequent to the end of the reporting period, options to subscribe for a total of 11,250,000 Shares which were granted under the Share Option Scheme lapsed upon the expiry of the period as determined by the Directors relating to the resignation of an employee and a Director.

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

Long positions in the Shares and the underlying Shares

As at 30 June 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 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	Number of		Total	Approximate percentage of issued share capital
		Shares	underlying Shares	number of Shares and underlying Shares	
Mr. Leung Ngai Man ("Mr. Leung")	Beneficial owner	702,615,000	–	702,615,000	16.24%
	Through a controlled corporation	1,474,400 (Note 1)	–	1,474,400	0.03%
Mr. Ng Kwok Chu, Winfield ("Mr. Ng")	Beneficial owner	472,500	10,000,000 (Note 2)	10,472,500	0.24%
Ms. Wu Wei Hua ("Ms. Wu")	Beneficial owner	–	10,000,000 (Note 3)	10,000,000	0.23%

Notes:

1. These Shares were held by Speedy Well Investments Limited (“**Speedy Well**”) which was wholly and beneficially owned by Mr. Leung. By virtue of the SFO, Mr. Leung was deemed to be interested in the Shares held by Speedy Well.
2. On 10 July 2008, Mr. Ng was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK\$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the consolidation of every two shares in the issued and unissued share capital of the Company into one consolidated share of HK\$0.001 each which became effective on 21 October 2008 (“**Share Consolidation**”), the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 Shares.
3. On 10 July 2008, Ms. Wu was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK\$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the Share Consolidation, the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per Share and the number of Shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 Shares.

Save as disclosed above, as at 30 June 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 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 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 AND UNDERLYING SHARES

As at 30 June 2010, no person or company (other than the Directors and chief executive of the Company) 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 was directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme and refreshed its 10% limit on the grant of options on 9 April 2009 and 20 April 2010. The principal purpose of the Share Option Scheme is to motivate and give incentive to the eligible participants as defined in the Share Option Scheme for their contribution to the Group.

For the six months ended 30 June 2010, detailed movements relating to options granted under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Effective exercise price	Exercise period	As at 01.01.2010	Movement of share options (adjusted) during the period			As at 30.06.2010
					Granted	Exercised	Lapsed	
Consultants	09.07.2007	0.2850	09.07.2007 – 29.06.2017	48,000,000	–	–	–	48,000,000
	22.08.2007	0.4060	22.08.2007 – 29.06.2017	41,000,000	–	–	–	41,000,000
	10.07.2008	0.2656	10.07.2008 – 29.06.2017	40,000,000	–	–	–	40,000,000
	10.12.2009	0.1176	10.12.2009 – 29.06.2017	83,110,000	–	70,110,000	–	13,000,000
	08.03.2010	0.128	08.03.2010 – 29.06.2017	–	36,000,000	36,000,000	–	–
	29.03.2010	0.131	29.03.2010 – 29.06.2017	–	36,000,000	36,000,000	–	–
Employee	10.07.2008	0.2656	10.07.2008 – 29.06.2017	10,000,000	–	–	–	10,000,000*
Directors								
– Mr. Ng	10.07.2008	0.2656	10.07.2008 – 29.06.2017	10,000,000	–	–	–	10,000,000
– Ms. Wu	10.07.2008	0.2656	10.07.2008 – 29.06.2017	10,000,000	–	–	–	10,000,000
Ex-Director	10.07.2008	0.2656	10.07.2008 – 29.06.2017	1,250,000	–	–	–	1,250,000*

* *Share option lapsed on 31 July 2010.*

No option granted under the Share Option Scheme has been cancelled during the six months ended 30 June 2010.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the paragraph headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS” AND “INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES” above, so far as is known to the Directors as at 30 June 2010, there is no other person who has any interest or short position in the Shares and underlying Shares that is discloseable under Section 336 of the SFO.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the audit committee has three members comprising the three independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee), Mr. Cai Wei Lun and Mr. Wang Jun Sui.

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 2010 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 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 for the following:

1. 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 Ngai Man 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 of the Company.

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 whom 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.

2. Code Provision A.3 stipulates that the Board must include three independent non-executive Directors.

Following the resignation of Mr. Gao Shikui on 31 March 2010 and up to 30 June 2010, the date on which Mr. Wang Jun Sui was appointed as an independent non-executive Director and a member of the audit committee of the Company, 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.

As at the date hereof, the Company has complied with Rules 5.05(1) and 5.28 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors (“**Code**”) which is no less exacting than the required terms for dealings of Shares by directors as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries 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 2010.

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, 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 six months ended 30 June 2010.

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

Hong Kong, 10 August 2010

As at the date of this announcement, 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, Mr. Cai Wei Lun and Mr. Wang Jun Sui.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven (7) days from the date of its publication and on the Company’s website at www.cmr8071.com.