



2009

Third Quarterly Report



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)

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

HIGHLIGHTS

- The unaudited revenue of the Group for the three months and nine months ended 30 September 2009 were approximately HK\$520,000 and HK\$1,095,000 respectively, which increased by approximately 201% and decreased by approximately 1.35% as compared with the amount of that for the respective corresponding period in 2008.
- The Group recorded an unaudited loss attributable to equity holders of the Company of approximately HK\$229,306,000 for the nine months ended 30 September 2009, which increased by approximately 888% as compared with the amount of that for the corresponding period in 2008.
- The unaudited loss per share for loss attributable to equity holders of the Company was approximately HK7.6 cents for the nine months ended 30 September 2009.

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 2009 together with the comparative figures for the corresponding periods in 2008 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2009

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	520	173	1,095	1,110
Cost of sales		<u>(484)</u>	<u>(144)</u>	<u>(1,024)</u>	<u>(850)</u>
Gross profit		36	29	71	260
Other operating income		49	5	53	505
Selling and distribution expenses		–	–	–	(113)
Administrative expenses		(2,888)	(5,656)	(15,298)	(14,238)
Other operating expenses		<u>(287,442)</u>	<u>–</u>	<u>(287,442)</u>	<u>–</u>
Operating loss		(290,245)	(5,622)	(302,616)	(13,586)
Finance costs	4	<u>(1,691)</u>	<u>(9,589)</u>	<u>(19,653)</u>	<u>(9,623)</u>
Loss before income tax	5	(291,936)	(15,211)	(322,269)	(23,209)
Income tax credits	6	<u>44,257</u>	<u>–</u>	<u>44,257</u>	<u>–</u>
Loss for the period		<u><u>(247,679)</u></u>	<u><u>(15,211)</u></u>	<u><u>(278,012)</u></u>	<u><u>(23,209)</u></u>
Other comprehensive income, including reclassification adjustments					
Exchange loss on translation of financial statements of foreign operations		<u>(79)</u>	<u>(1)</u>	<u>(439)</u>	<u>(25)</u>
Total comprehensive income for the period (net of tax)		<u><u>(247,758)</u></u>	<u><u>(15,212)</u></u>	<u><u>(278,451)</u></u>	<u><u>(23,234)</u></u>

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the period attributable to:					
Equity holders of the Company		(199,077)	(15,211)	(229,306)	(23,209)
Non-controlling interests		<u>(48,602)</u>	<u>17</u>	<u>(48,706)</u>	<u>17</u>
		<u>(247,679)</u>	<u>(15,194)</u>	<u>(278,012)</u>	<u>(23,192)</u>
Total comprehensive income attributable to:					
Equity holders of the Company		(199,156)	(15,229)	(229,745)	(23,251)
Non-controlling interests		<u>(48,602)</u>	<u>17</u>	<u>(48,706)</u>	<u>17</u>
		<u>(247,758)</u>	<u>(15,212)</u>	<u>(278,451)</u>	<u>(23,234)</u>
Loss per share for loss attributable to equity holders of the Company					
– Basic	7	<u>(HK5.7 cents)</u>	<u>(HK1.0 cent)</u>	<u>(HK7.6 cents)</u>	<u>(HK1.8 cents)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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 2009 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.

2. Significant accounting policies

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2009.

- HKAS 1 (Revised 2007) Presentation of financial statement
- HKAS 23 (Revised) Borrowing costs
- HKFRS 1 and HKAS 27 (Amendment) Cost of an investment in a subsidiary, jointly controlled entity or an associate
- HKFRS 2 (Amendment) Share-based payment – vesting conditions and cancellations
- HKFRS 8 Operating segments
- HK(IFRIC) – Int 15 Agreements for the construction of real estate
- Amendment to HK(IFRIC) – Int 9 and HKAS 39 Embedded derivatives
- Various – annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and revised HKFRSs has had no material effect on the Group’s result and financial position.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange loss/gain on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparative have been restated on a basis consistent with the new standard.

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		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charges on financial liabilities stated at amortised cost:				
– Loans from Sun Wah Net Investment Limited wholly repayable within one year	–	–	–	34
– Convertible bonds	<u>1,691</u>	<u>9,589</u>	<u>19,653</u>	<u>9,589</u>
	<u>1,691</u>	<u>9,589</u>	<u>19,653</u>	<u>9,623</u>

5. Loss before income tax

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

	(Unaudited) Three months ended 30 September 2009		(Unaudited) Nine months ended 30 September 2009	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:				
Bank interest income on financial assets stated at amortised cost	(2)	(5)	(6)	(51)
Gain on disposal of a subsidiary	<u>(45)</u>	<u>–</u>	<u>(45)</u>	<u>–</u>
Charging:				
Cost of goods sold	468	–	916	428
Cost of services provided*	16	144	108	422
Auditors' remuneration	105	90	319	270
Depreciation	35	122	94	365
Amortisation of prepaid lease payments	–	78	–	234
Employee benefit expense (excluding Directors' emoluments):				
– Wages and salaries*	579	582	1,807	1,742
– Pension scheme contributions (MPF)	11	16	36	56
– Employee share options benefits	–	5,068	5,842	5,068
Directors' emoluments	864	855	2,592	1,601
Minimum lease payments paid under operating lease in respect of:				
– Land and buildings	174	11	416	34
– Computer server	–	–	–	2
Loss on redemption of convertible bonds**	422	–	422	–
Impairment loss of supply contract**	<u>287,020</u>	<u>–</u>	<u>287,020</u>	<u>–</u>

* Cost of services provided for the three months and nine months ended 30 September 2009 included HK\$16,000 and HK\$108,000 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 credits

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 2009 and the corresponding periods in 2008.

Profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries either have the losses brought forward to wholly effect the assessable profits in the respective jurisdictions or they did not generate any assessable profits in the respective jurisdictions during the three months and nine months ended 30 September 2009 and the corresponding periods in 2008.

As at 31 December 2008, the deferred tax liability of HK\$44,257,000 arose from the fair value adjustments of the supply contract upon acquisition of subsidiaries. During the three months and nine months ended 30 September 2009, as the related supply contract has been impaired, such deferred tax liability has been credited to the unaudited consolidated statement of comprehensive income.

The Group did not have any significant unprovided deferred tax liabilities as at 30 September 2009 and 31 December 2008.

7. Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company during the three months and nine months ended 30 September 2009 of approximately HK\$199,077,000 and HK\$229,306,000 respectively (three months and nine months ended 30 September 2008: approximately HK\$15,211,000 and HK\$23,209,000 respectively) and the weighted average number of approximately 3,503,848,000 ordinary shares of the Company in issue during the three months ended 30 September 2009 and approximately 3,031,405,000 ordinary shares of the Company in issue during the nine months ended 30 September 2009 (three months and nine months ended 30 September 2008: 1,454,883,943 and 1,304,333,103 ordinary shares of the Company).

Diluted loss per share for the three months and nine months ended 30 September 2009 and that for the corresponding periods in 2008 have not been disclosed as the warrants, share options and convertible bonds outstanding, if any, during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

8. Other intangible assets – Supply contract

Details of the terms of the supply contract are set out in the Company's annual report for the year ended 31 December 2008 dated 5 March 2009.

For the purposes of impairment reviews, the Group appointed an independent professional valuer to perform a valuation of supply contract as at 30 September 2009. By reference to the valuation result, the Directors decided to make an impairment loss for the supply contract of HK\$287,020,000 for the nine months ended 30 September 2009 (2008: nil).

9. Convertible bonds

Details of the terms of the convertible bonds are set out in the Company's annual report for the year ended 31 December 2008 dated 5 March 2009.

On 30 June 2009, 544,000,000 shares were issued upon exercise of convertible bonds.

On 4 September 2009, the Company has requested Mr. Leung Ngai Man, the bondholder and the executive Director, for early redemption of 6,250,000 convertible bonds at a consideration of HK\$5,000,000 pursuant to the terms and conditions of the convertible bonds. The difference between the redemption amount and the total carrying amounts of liability component and equity component amounting to approximately HK\$422,000 has been charged to the unaudited consolidated statement of comprehensive income and amounting to approximately HK\$291,000 has been charged to the reserves, respectively.

Imputed interest expenses of approximately HK\$19,653,000 has been recognised in the unaudited consolidated statement of comprehensive income in respect of the convertible bonds for the nine months ended 30 September 2009.

As at 30 September 2009, the carrying amount of the liability component at amortised cost was approximately HK\$61,746,000 (2008: HK\$319,150,000).

10. Reserves

	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Convertible bond equity reserve (Unaudited) HK\$'000	Employee compensation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2008	122,425	-	-	9,772	(39)	259	-	(44,175)	88,242
Other comprehensive income:									
Exchange loss in translation of financial statements of foreign operations	-	-	-	-	(25)	-	-	-	(25)
Loss for the period	-	-	-	-	-	-	-	(23,192)	(23,192)
Total comprehensive income for the period	-	-	-	-	(25)	-	-	(23,192)	(23,217)
Recognition of equity-settled share-based compensation	-	-	-	5,068	-	-	-	-	5,068
Proceeds from shares issued under share option scheme	650	-	-	(185)	-	-	-	-	465
Exercise of warrants	29,376	-	-	-	-	(259)	-	-	29,117
Share repurchased	(489)	1	-	-	-	-	-	(1)	(489)
Acquisition of subsidiaries	46,130	-	661,563	-	-	-	-	-	707,693
Exercise of convertible bonds	322,222	-	(137,471)	-	-	-	-	-	184,751
Transactions with equity holders	397,889	1	524,092	4,883	-	(259)	-	(1)	926,605
At 30 September 2008	<u>520,314</u>	<u>1</u>	<u>524,092</u>	<u>14,655</u>	<u>(64)</u>	<u>-</u>	<u>-</u>	<u>(67,368)</u>	<u>991,630</u>
At 1 January 2009	1,006,434	1	115,682	14,655	(77)	-	(49)	(94,294)	1,042,352
Other comprehensive income:									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(439)	-	-	-	(439)
Loss for the period	-	-	-	-	-	-	-	(229,306)	(229,306)
Total comprehensive income for the period	-	-	-	-	(439)	-	-	(229,306)	(229,745)
Recognition of equity-settled share-based compensation	-	-	-	5,842	-	-	-	-	5,842
Proceeds from shares issued under share option scheme	17,761	-	-	(5,842)	-	-	-	-	11,919
Exercise of convertible bonds	367,277	-	(93,973)	-	-	-	-	-	273,304
Redemption of convertible bonds	-	-	(1,079)	-	-	-	-	(291)	(1,370)
Transactions with equity holders	385,038	-	(95,052)	-	-	-	-	(291)	289,695
At 30 September 2009	<u>1,391,472</u>	<u>1</u>	<u>20,630</u>	<u>14,655</u>	<u>(516)</u>	<u>-</u>	<u>(49)</u>	<u>(323,891)</u>	<u>1,102,302</u>

11. Disposal of a subsidiary

On 28 September 2009, the Group disposed (“**Disposal**”) the entire interest and the intercompany loan of Jet Power Holdings Limited (“**Jet Power**”), a direct wholly-owned subsidiary of the Company, to Sino Prosper Coal Mining Investment Limited (“**Sino Prosper**”) at a total consideration of approximately HK\$1,451,000. Mr. Leung Ngai Man has indirect equity interests in both Jet Power and Sino Prosper. The fair value of the net assets of Jet Power attributable to the Group at the date of the Disposal was immaterial to the Group. The completion of the Disposal has not given rise to any material gain or loss to the Group. The Disposal was completed on 28 September 2009.

12. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period :

- (a) On 4 September 2009, the Company early redeemed 6,250,000 convertible bonds at a total consideration of HK\$5,000,000 from Mr. Leung Ngai Man, pursuant to the terms and conditions of the convertible bonds. Details of the redemption of the convertible bonds is included in note 9.
- (b) For the period ended 30 September 2009, the Group had disposed the entire interest of Jet Power to Sino Prosper. Mr. Leung Ngai Man has indirect equity interests in both Sino Prosper and Jet Power. Details of the Disposal are included in note 11.

13. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

SUBSEQUENT EVENT

On 22 October 2009, the Company acquired Glory Top Management Limited, a company incorporated in Hong Kong with limited liability, as one of its direct wholly-owned subsidiaries at a total consideration of HK\$1 for investment holding purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months and nine months ended 30 September 2009, the Group recorded an unaudited revenue of approximately HK\$520,000 and HK\$1,095,000, which increased by approximately 201% and a decrease 1.35% as compared with the amount for that of the respective corresponding period in 2008. The revenue was mainly derived from staff secondment and system integration, and trading of hardware and software. There was a gross profit of approximately HK\$71,000 sustained for the nine months ended 30 September 2009. Such gross profit decreased by the amount of approximately HK\$189,000, as compared with the gross profit for the nine months ended 30 September 2008.

For the nine months ended 30 September 2009, the unaudited loss attributable to equity holders of the Company of approximately HK\$229,306,000 increased by approximately 888% as compared with the amount of that for the corresponding period in 2008 as a result of the impairment loss of supply contract and substantial increase in finance costs which were mainly caused by the imputed interests on convertible bonds.

Outlook and prospects

The Group will continue to develop its staff secondment and trading of computer hardware and software, and exploration of mineral resources businesses and will also explore new investment opportunities in the People's Republic of China.

Capital structure

As at 30 September 2009, the Company's total number of issued shares was 3,506,430,247 shares (31 December 2008: 2,796,500,247 shares).

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 2009, 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

(a) Interests in shares

Name of Director	Number of shares			Approximate percentage of interest in the Company’s issued share capital
	Corporate interests	Personal interests	Total	
Mr. Leung Ngai Man	1,474,400 <i>(Note)</i>	723,755,000	725,229,400	20.68%
Mr. Ng Kwok Chu, Winfield	–	472,500	472,500	0.01%

Note: These shares were held by Speedy Well Investments Limited (“**Speedy Well**”), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Speedy Well is wholly owned by Mr. Leung Ngai Man. By virtue of the SFO, Mr. Leung Ngai Man is deemed to be interested in the shares held by Speedy Well.

(b) Interests in convertible bonds

Name	Type of interests	Number of underlying shares held	Approximate percentage of interest in the Company’s issued share capital
Mr. Leung Ngai Man	Personal	119,425,000 <i>(Note)</i>	3.41%

Note: Mr. Leung Ngai Man was issued a convertible bonds in an aggregate principal amount of HK\$1,545,740,000 on 26 August 2008 at an adjusted conversion price of HK\$0.80 per share (“**Convertible Bonds**”). On 4 September 2009, the Company has requested for early redemption of HK\$5,000,000 from Mr. Leung Ngai Man, the bondholder and the executive Director. Mr. Leung Ngai Man has agreed for the early redemption. The redemption process was completed on 4 September 2009. As at 30 September 2009, HK\$95,540,000 of the Convertible Bonds remains outstanding. Upon full conversion of the Convertible Bonds, a maximum of 119,425,000 shares will be issued to Mr. Leung Ngai Man. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.

(c) *Interests in share options*

The interests in the underlying shares arise from share options granted to the Directors under the Company’s share option scheme adopted on 29 June 2007 (“**Share Option Scheme**”), details of which are as follows:

Name	Type of interests	Outstanding share options as at 30 September 2009	Approximate percentage of interest in the Company’s issued share capital
Mr. Ng Kwok Chu, Winfield	Personal	10,000,000 (Note 1)	0.29%
Ms. Wu Wei Hua	Personal	10,000,000 (Note 2)	0.29%

Notes:

- On 10 July 2008, Mr. Ng Kwok Chu, Winfield 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 of HK\$0.0005 each 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 consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. The interest constitutes a long position of the Director in a physically settled equity derivative for the purpose of the SFO.
- On 10 July 2008, Ms. Wu Wei Hua was granted share options, pursuant to the Share Option Scheme to subscribe for a total of 20,000,000 shares at an exercise price of HK\$0.1328 per share. The options would be exercisable during the period from 10 July 2008 to 29 June 2017. As a result of the Share Consolidation, the relevant subscription price was adjusted from HK\$0.1328 to HK\$0.2656 per consolidated share and the number of consolidated shares falling to be issued under the outstanding share options was adjusted from 20,000,000 shares to 10,000,000 consolidated shares. The interest constitutes 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 2009, 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 as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2009, no person or company (other than the Directors or 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 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.

Save as disclosed above, no persons other than the Director 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 registered any interests or short positions in the shares, underlying shares and debentures of the Company that was required to be recorded in the register required to be kept under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

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

AUDIT COMMITTEE

The Company has 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 three independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee), Mr. Gao Shikui and Mr. Cai Wei Lun.

The Group’s third quarterly results for the nine months ended 30 September 2009 has been reviewed by the audit committee.

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 (“**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:

1. The appointment of the chief executive officer of the Company remains outstanding. The Company is still looking for a suitable candidate to fill the vacancy in order to comply with the CG Code; and
2. Following the resignation of Mr. Liu Jia Qing on 12 May 2009 and up to 11 August 2009, the date on which Mr. Cai Wei Lun 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 5.48 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 2009.

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 compete 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 2009.

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

Hong Kong, 11 November 2009

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, Mr. Gao Shikui and Mr. Cai Wei Lun.