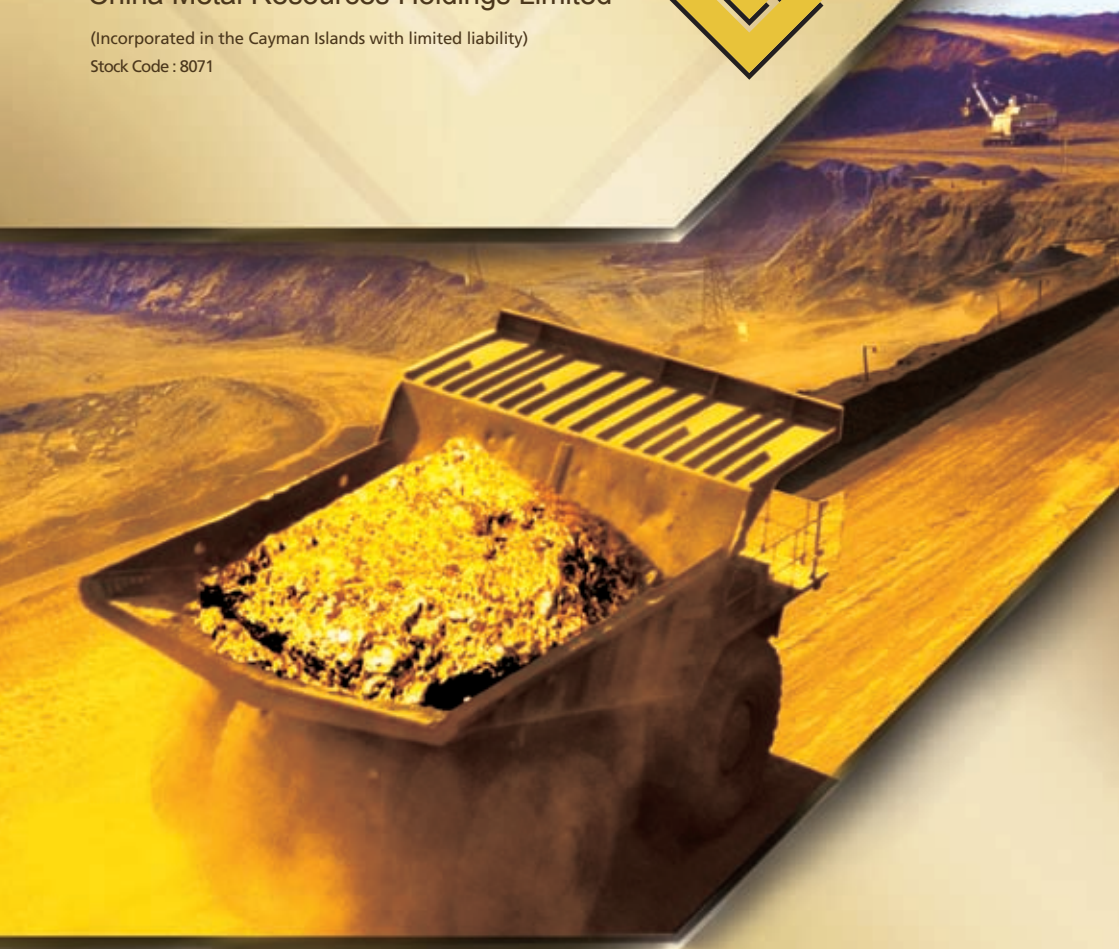


中國金屬資源控股有限公司
China Metal Resources Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8071



FIRST QUARTERLY REPORT **2010**

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 ended 31 March 2010 was approximately HK\$540,000 with an increase of approximately HK\$499,000 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\$5,870,000 for the three months ended 31 March 2010, which was increased by approximately HK\$1,596,000 as compared with that for the corresponding period in 2009.
- The unaudited loss per share for loss attributable to the owners of the Company was approximately HK\$0.17 cent for the three months ended 31 March 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 ended 31 March 2010 together with the comparative figures for the corresponding period in 2009 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

		Three months ended 31 March	
	Notes	2010 HK\$'000	2009 HK\$'000
Revenue	3	540	41
Cost of sales		<u>(490)</u>	<u>(56)</u>
Gross profit/(loss)		50	(15)
Other operating income		12	2
Administrative expenses		<u>(5,981)</u>	<u>(4,313)</u>
Loss before income tax	4	(5,919)	(4,326)
Income tax expenses	5	<u>(5)</u>	<u>–</u>
Loss for the period		<u>(5,924)</u>	<u>(4,326)</u>
Other comprehensive loss			
Exchange differences on translating foreign operations		<u>(170)</u>	<u>(426)</u>
Other comprehensive loss for the period, net of tax		<u>(170)</u>	<u>(426)</u>
Total comprehensive loss for the period		<u>(6,094)</u>	<u>(4,752)</u>

		Three months ended	
		31 March	
	<i>Notes</i>	2010	2009
		HK\$'000	HK\$'000
Loss attributable to:			
Owners of the Company		(5,870)	(4,274)
Non-controlling interests		<u>(54)</u>	<u>(52)</u>
		<u>(5,924)</u>	<u>(4,326)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(6,047)	(4,700)
Non-controlling interests		<u>(47)</u>	<u>(52)</u>
		<u>6,094</u>	<u>(4,752)</u>
Loss per share for loss attributable to owners of the Company	6		
– Basic and diluted		<u>(0.17 HK cent)</u>	<u>(0.15 HK cent)</u>

Notes:

1. Basis of preparation

The unaudited consolidated statement of comprehensive income of the Group for the three months ended 31 March 2010 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. It has been prepared under historical cost convention.

2. Significant accounting policies

The significant accounting policies used in the preparation of the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2010 are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2009.

From 1 January 2010, the Group has adopted all the new and revised HKFRSs, which are first effective on 1 January 2010 and relevant to the Group. The adoption of the new and revised HKFRSs did not result in any significant changes to the Group’s accounting policies and to the amounts or disclosures in the unaudited consolidated statement of comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS ⁷ Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) ⁴
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ³
HKFRS for Private Entities	HKFRS for Private Entities ⁵

Notes:

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

² Effective for annual periods beginning on 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 on 30 April 2010

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 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 provided arising from the principal activities of the Group during the three months ended 31 March 2010 after eliminations of all significant intra-group transactions.

4. Loss before income tax

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

	Three months ended	
	31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Crediting:		
Bank interest income	<u>4</u>	<u>2</u>
Charging:		
Cost of goods sold	454	–
Cost of services provided*	36	56
Auditors' remuneration	80	109
Depreciation	53	32
Employee benefit expense (excluding directors' emoluments):		
– Wages and salaries	419	577
– Share-based payment	3,537	1,107
– Pension scheme contributions (MPF)	10	28
Directors' emoluments	864	864
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	<u>222</u>	<u>67</u>

* Cost of services provided included HK\$36,000 (2009: HK\$36,000) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

5. Income tax expenses

Income tax recognised in profit or loss

	Three months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax	<u>5</u>	<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 ended 31 March 2010 and the corresponding period in 2009.

Subsidiaries of the Company established in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax 25% (for both periods).

No deferred tax liability has been provided for the three months ended 31 March 2010 and the corresponding period in 2009 as the Group did not have any significant temporary differences as at 31 March 2010, which give rise to a deferred tax liability.

6. Loss per share

The calculation of basic loss per share is based on the unaudited loss attributable to owners of the Company of approximately HK\$5,870,000 (2009: HK\$4,274,000) and on the weighted average number of 3,387,337,617 (2009: 2,796,500,247) ordinary shares of the Company in issue during the period.

The calculation of diluted loss per share is based on the unaudited loss attributable to owners of the Company of approximately HK\$5,870,000 (2009: HK\$4,274,000) and the weighted average number of 3,388,863,844 (2009: 2,796,500,247) ordinary shares outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares used in the calculation of diluted loss per share is calculated based on the weighted average number of 3,387,337,617 (2009: 2,796,500,247) ordinary shares in issue during the period as used in the calculation of basic loss per share plus the weighted average number of 1,526,227 (2009: nil) ordinary shares deemed to be issued at no consideration as if all the Company's share options had been exercised.

7. Reserves

	Equity attributable to owners of the Company									
	Share premium account <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Convertible bond equity reserve <i>HKS'000</i>	Share option reserve <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Accumulated loss <i>HKS'000</i>	Subtotal <i>HKS'000</i>	Non-controlling interest <i>HKS'000</i>	Total <i>HKS'000</i>
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	-	-	-	-	-	-	(4,274)	(4,274)	(52)	(4,326)
Other comprehensive loss for the period	-	-	-	-	(426)	-	-	(426)	-	(426)
Total comprehensive loss for the period	-	-	-	-	(426)	-	(4,274)	(4,700)	(52)	(4,752)
Recognition of equity-settled share-based payments	-	-	-	1,107	-	-	-	1,107	-	1,107
Balance at 31 March 2009	<u>1,006,434</u>	<u>1</u>	<u>115,682</u>	<u>15,762</u>	<u>(503)</u>	<u>(49)</u>	<u>(98,568)</u>	<u>1,038,759</u>	<u>50,616</u>	<u>1,089,375</u>

	Equity attributable to owners of the Company								
	Share premium account <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Share option reserve <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Accumulated loss <i>HKS'000</i>	Subtotal <i>HKS'000</i>	Non-controlling interest <i>HKS'000</i>	Total <i>HKS'000</i>
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	-	-	-	-	-	(5,870)	(5,870)	(54)	(5,924)
Other comprehensive (income)/loss for the period	-	-	-	(177)	-	-	(177)	7	(170)
Total comprehensive loss for the period	-	-	-	(177)	-	(5,870)	(6,047)	(47)	(6,094)
Issue of new shares, net of share issue expense	57,716	-	-	-	-	-	57,716	-	57,716
Recognition of equity-settled share-based payments	-	-	3,537	-	-	-	3,537	-	3,537
Balance at 31 March 2010	<u>1,533,073</u>	<u>1</u>	<u>22,023</u>	<u>(4,909)</u>	<u>(49)</u>	<u>(465,420)</u>	<u>1,084,719</u>	<u>1,796</u>	<u>1,086,515</u>

8. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 31 March 2010, the Group recorded an unaudited revenue of approximately HK\$540,000, with an increase of approximately HK\$499,000 as compared with that for the corresponding period in 2009. During the three months ended 31 March 2010, the revenue of the Group was primarily derived from the provision of staff secondment and trading of computer hardware and software. The increase in revenue is mainly due to the rise in trading of computer hardware and software business.

For the three months ended 31 March 2010, the unaudited loss attributable to owners of the Company increased by approximately HK\$1,596,000 as compared with that for the corresponding period in 2009 mainly because of the increased in expense recognised in respect of equity-settled share-based payments for the three months ended 31 March 2010.

Prospect

The Group will continue to develop its staff secondment, trading of computer hardware and software, exploration of mining businesses and actively seek new investment opportunities to diversify the business with the best return for the shareholders of the Company (“Shareholders”).

Capital structure

As at 31 March 2010, the Company had 4,185,055,247 ordinary shares of HK\$0.001 each (each a “Share”) (31 March 2009: 2,796,500,247 Shares) in issue.

As at the date of this report, the issued Shares increased to 4,327,165,247 Shares following the allotment and issue of (i) 71,055,000 Shares (of which 35,055,000 share options were granted on 10 December 2009 and 36,000,000 share options were granted on 29 March 2010 as mentioned in Note 4) on 29 April 2010; and (ii) 71,055,000 Shares (of which 35,055,000 share options were granted on 10 December 2009 and 36,000,000 share options were granted on 8 March 2010 as mentioned in Note 2) on 7 May 2010, both in relation to the exercise of share options by the consultants of the Group.

Other disclosures

1. On 15 January 2010, being the date of the extraordinary general meeting of the Company, a resolution regarding the appointment of HLB Hodgson Impey Cheng (“**HLB**”) as the auditors of the Group and the authorization to the Directors to fix their remuneration was passed by the Shareholders. HLB was re-appointed at the annual general meeting of the Company held on 20 April 2010 and they will hold office until the conclusion of the next annual general meeting of the Company.
2. On 8 March 2010, the Company granted 36,000,000 share options to a consultant of the Group pursuant to the share option scheme adopted by the Company on 29 June 2007 (“**Share Option Scheme**”) at an exercise price of HK\$0.128 per Share. The share options would be exercisable during the period from 8 March 2010 to 29 June 2017. Details of the grant of share options were set out in the Company’s announcement dated 8 March 2010. On 5 May 2010, the Company received an exercise notice from the consultant and 36,000,000 Shares were allotted and issued on 7 May 2010.
3. On 15 March 2010, the Company entered into a placing agreement with Cinda International Capital Limited (“**Placing Agent**”) in relation to a placing of a maximum of 559,200,000 new Shares at HK\$0.105 per Share through the Placing Agent on a best-effort basis (“**Placing**”). The Placing was completed on 25 March 2010 and the net proceeds of HK\$58,279,000 was received. The net proceeds will be used for the general working capital of the Group and/or funding for any possible acquisition or investment plan of the Group in the future. Details of the Placing were set out in the Company’s announcements dated 15 March 2010 and 25 March 2010.
4. On 29 March 2010, the Company granted 36,000,000 share options to a consultant of the Group pursuant to the Share Option Scheme at an exercise price of HK\$0.131 per Share. The share options would be exercisable during the period from 29 March 2010 to 29 June 2017. Details of the grant of share options were set out in the Company’s announcement dated 29 March 2010. On 28 April 2010, the Company received an exercise notice from the consultant and 36,000,000 Shares were allotted and issued on 29 April 2010.
5. Mr. Gao Shikui resigned as an independent non-executive Director and a member of each of the audit committee and the remuneration committee of the Company with effect from 31 March 2010.
6. On 20 April 2010, being the date of the annual general meeting of the Company, a resolution regarding the refreshment of the general scheme limit of the Share Option Scheme was passed by then Shareholders. The total number of Shares which may be issued upon exercise of the refreshed general scheme limit of 418,505,524 Shares together with all outstanding share options carrying the right to subscribe as at the date of this report is 591,755,524 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 31 March 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		Total number of Shares and underlying Shares	Approximate percentage of issued share capital
		Shares	underlying Shares		
Mr. Leung Ngai Man	Beneficial owner	733,460,000	–	733,460,000	17.53%
	Through a controlled corporation	1,474,400 (Note 1)	–	1,474,400	0.03%
Mr. Ng Kwok Chu Winfield	Beneficial owner	472,500	10,000,000 (Note 2)	10,472,500	0.25%
Ms. Wu Wei Hua	Beneficial owner	–	10,000,000 (Note 3)	10,000,000	0.24%

Notes:

1. 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.

2. 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.
3. 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 31 March 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 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 31 March 2010, 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 two independent non-executive Directors, namely, Dr. Leung Wai Cheung (chairman of the audit committee) and Mr. Cai Wei Lun.

The Group's first quarterly results for the three months ended 31 March 2010 have 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.

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. Gao Shikui as an independent non-executive Director and a member of the audit committee of the Company on 31 March 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors (“Code”) which is no less exacting than the required terms for dealings of shares by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific inquiry with all the Directors, and has not been notified of any non-compliance with the standard for dealings of securities by Directors and the Code during the three months ended 31 March 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 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 three months ended 31 March 2010.

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

Hong Kong, 11 May 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.