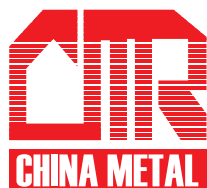


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CHINA METAL RECYCLING (HOLDINGS) LIMITED

中國金屬再生資源(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00773)

CONTINUING CONNECTED TRANSACTIONS

Renewal of Continuing Connected Transactions

Reference is made to the waiver granted by the Stock Exchange to the Company on 20 May 2009 from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.48 for the transactions under, among others, the 2009 Sale Agreements. Reference is also made to the announcement of the Company date 15 October 2010 in respect of, among others, the revised annual caps of the 2009 Sales Agreements. The 2009 Sale Agreements are due to expire on 31 December 2011. Accordingly, the Company proposes to continue such continuing connected transactions for a further term of three years and entered the GMI Sales Agreement.

Listing Rules Implications

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the transactions under the GMI Sale Agreement are expected to be over 5% on an annual basis, the transactions under the GMI Sale Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As GMI, GSEG and its associates are not interested in any shares of the Company, no Shareholder is required to abstain from voting for the resolutions to approve the GMI Sale Agreement, should an extraordinary general meeting is held to approve the transactions. Accordingly, the Company has applied to the Stock Exchange in accordance with Rule 14A.43 of the Listing Rules for a waiver from the requirement to hold a general meeting to approve the Continuing Connected Transactions on the basis of a written certificate dated 12 December 2011 given by Wellrun Limited, which is beneficially interested in approximately 51.20% of the issued share capital of the Company.

The circular containing, amongst other things, further details relating to the Continuing Connected Transactions and a letter from Veda Capital, the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders on the Continuing Connected Transactions, is expected to be despatched to the Shareholders on or before 5 January 2012.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated 10 June 2009 and the announcement of the Company dated 15 October 2010 in respect of, among others, the 2009 Sale Agreements and the revised annual caps of the 2009 Sales Agreements.

As the 2009 Sale Agreements are due to expire on 31 December 2011, the Company proposes to continue such continuing connected transactions for a term of further three years.

GMI Sale Agreement

On 12 December 2011, the Company and GMI entered into the GMI Sales Agreement pursuant to which the Company and its subsidiaries will sell recycled scrap metal products to GMI and its associates.

GMI is a subsidiary of GSEG and is a connected person of the Company for the purpose of the Listing Rules.

Prior to the listing of the shares of the Company on the Stock Exchange, the Group has entered into the 2009 Sales Agreements with subsidiaries of GSEG for the sale of recycled metal to the subsidiaries of GSEG, subject to the annual sale price payable by the purchasers to the Group would not exceed HK\$3,300 million, HK\$4,900 million and HK\$5,500 million for the three years ending 31 December 2011, respectively. On 15 October 2010, the Company announced that the annual cap under the 2009 Sale Agreements for the two years ended 31 December 2010 and 2011 were increased to HK\$6,000 million and HK\$7,200 million, respectively.

The Company proposes to continue with such continuing connected transactions by entering the GMI Sale Agreement for a term of three years subject to the annual cap set out below:

	For the financial year ending 31 December		
	2012	2013	2014
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Annual transaction amount under the GMI Sale Agreement	8,000	9,000	10,000

The historical sales by the Company to GSEG and its subsidiaries for the three years ended 31 December 2009, 2010 and 2011 were as follows:

	For the financial year ended 31 December		
	2009	2010	2011
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Annual cap	3,300	6,000 <i>(Note 1)</i>	7,200 <i>(Note 1)</i>
Actual transaction amount	2,254	5,666	4,860 <i>(Note 2)</i>

Notes:

1. The original annual cap were HK\$4,900 million and HK\$5,500 million respectively. The annual caps were increased as per announced by the Company in its announcement dated 15 October 2011.
2. The actual transaction amount was up to 31 October 2011.

The annual caps were determined on the basis of the prevailing market rate and on normal commercial terms, having taken into account: (i) the historical amount of recycled scrap metal sold by the Company to GSEG and its subsidiaries, (ii) the expected increase in demand for the Group's products, (iii) potential fluctuations in the cost of scrap metal; and (iv) the possibility of any appreciation in the value of Renminbi against the Hong Kong dollar.

GMI is a subsidiary of GSEG. GSEG is a large-scale state-owned enterprise located in Guangzhou with the responsibility of managing various state-owned iron and steel enterprises principally engaged in metals manufacturing and trading in an administrative capacity. It is beneficially interested in approximately 72.4% in GZS, which is principally engaged in manufacture and sale of metal products and is an indirect substantial shareholder in Guangzhou Asia Steel, a non wholly-owned subsidiary of the Company. GZS, and in turn GSEG and GMI, are therefore connected persons of the Company for the purpose of the Listing Rules and the GMI Sales Agreement constitute continuing connected transactions for the Company.

LISTING RULES IMPLICATIONS

The Company is principally engaged in the business of metal recycling, processing and marketing of metals, including ferrous and non-ferrous metals, collects scrap steel, scrap copper and others scrap metals to produce quality recycled scrap metals.

The Directors consider that the GMI Sale Agreement has been entered into after arm's length negotiations, are under normal commercial terms and are in the usual and ordinary course of businesses of the Group. The Directors (including the independent non-executive Directors) therefore consider that the terms of the GMI Sale Agreement (including the annual caps) are fair and reasonable and the entering into of the GMI Sale Agreement are in the interests of the Group and the Shareholders as a whole.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the GMI Sale Agreement will exceed 5% on an annual basis, the GMI Sale Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GMI, GSEG and its associates are not interested in any shares of the Company, no Shareholder is required to abstain from voting for the resolutions to approve the continuing connected transactions under the GMI Sale Agreement should an extraordinary general meeting is held to approve the transactions. Accordingly, the Company has applied to the Stock Exchange in accordance with Rule 14A.43 of the

Listing Rules for a waiver from the requirement to hold a general meeting to approve the Continuing Connected Transactions on the basis of a written certificate dated 12 December 2011 given by Wellrun Limited, which is beneficially interested in approximately 51.20% of the issued share capital of the Company.

The circular containing, amongst other things, further details relating to the Continuing Connected Transactions and a letter from Veda Capital, the independent financial adviser, appointed to advise the Independent Board Committee and Independent Shareholders on the Continuing Connected Transactions, is expected to be despatched to the Shareholders on or before 5 January 2012.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“2009 Sales Agreements”	a series of agreements entered between the Company and certain subsidiaries of GSEG
“associate”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Metal Recycling (Holdings) Limited 中國金屬再生資源(控股)有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as given to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions under the GMI Sale Agreement
“Director(s)”	the director(s) of the Company
“GMI Sales Agreement”	the agreement dated 12 December 2011 between GMI and the Company in relation to the sale of scrap metal products by the Company to GMI and its associates

“GMI”	Guangzhou Metallurgy Industrial Co. Ltd. (廣州冶金實業有限公司), a company incorporated in the PRC, which is a subsidiary of GSEG and is principally engaged in metallurgy and sale of metal products
“Group”	the Company and its subsidiaries
“GSEG”	Guangzhou Iron & Steel Enterprises Holdings Limited, a company incorporated in the PRC which is interested in approximately 72.4% of GZS and is a large-scale state-owned enterprise in Guangzhou with the responsibility for managing various state-owned iron and steel enterprises principally engaged in metallurgy and process and sale of metal products in an administrative capacity
“Guangzhou Asia Steel”	Guangzhou Asia Steel Co., Ltd., a 75% non wholly owned subsidiary of the Company
“GZS”	Guangzhou Zhujiang Steel Co., Ltd, a subsidiary of GSEG and an indirect 25% substantial shareholder of Guangzhou Asia Steel and is principally engaged in manufacture and sale of metal products
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial
shareholder”

has the same meaning ascribed to it under the Listing
Rules

“%”

per cent.

By Order of the Board of
China Metal Recycling (Holdings) Limited
中國金屬再生資源(控股)有限公司
Mr. Chun Chi Wai
Chairman

Hong Kong, 12 December 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Chun Chi Wai, Mr. Fung Ka Lun and Mr. Jiang Yan Zhang, the non-executive Director of the Company is Ms. Lai Wun Yin and the independent non-executive Directors of the Company are Mr. Chan Kam Hung, Mr. Leung Chong Shun and Mr. Yan Qi Ping.