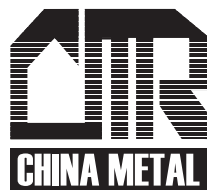

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Metal Recycling (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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)

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2011**

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

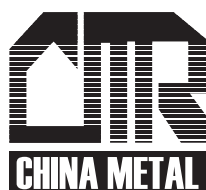
“Articles” or “Articles of Association”	the articles of association of the Company (as amended from time to time);
“Board”	the board of Directors;
“Company”	China Metal Recycling (Holdings) Limited 中國金屬再生資源(控股)有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Director(s)”	the director(s) of the Company;
“Final Dividend”	the final dividend of HK32 cents per Share for the year ended 31 December 2011 with a scrip alternative payable on or about 13 July 2012 to the Shareholders whose names were recorded on the register of members of the Company on 7 June 2012;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholders”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business at 4:30 p.m. on the Record Date and whose address(es) as shown on such register is(are) outside Hong Kong;
“PRC”	the People’s Republic of China;
“Record Date”	7 June 2012, being the date for determining the entitlement in Scrip Dividend Shares;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scrip Dividend Scheme”	the scheme proposed by the Directors on 27 March 2012 in relation to the Final Dividend which offer the eligible Shareholders an alternative to elect to receive such dividend wholly or in part by the allotment of new Shares credited as fully paid in lieu of cash;

DEFINITIONS

“Scrip Dividend Shares”	new Shares to be issued under the Scrip Dividend Scheme;
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company;
“Shareholder(s)”	Holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

Should there be any discrepancy between English and Chinese versions of this circular, the English version shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Chun Chi Wai (秦志威)

(Chairman and Chief Executive Officer)

Fung Ka Lun (馮嘉倫)

(Group Finance Director and Group Vice President)

Jiang Yan Zhang (姜延章)

(Chief Operating Officer)

Non-Executive Director:

Lai Wun Yin (黎煥賢)

Independent Non-Executive Directors:

Chan Kam Hung (陳錦雄)

Leung Chong Shun (梁創順)

Yan Qi Ping (閻啟平)

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Room 3003A-5, 30/F

The Centrium

60 Wyndham Street

Central

Hong Kong

12 June 2012

To the Shareholders

Dear Sir/Madam,

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2011**

INTRODUCTION

On 27 March 2012, the Board announced and recommended the payment of the Final Dividend to the Shareholders whose names appeared on the register of members of the Company on 7 June 2012. It was also announced that the Shareholders could elect to receive the Final Dividend in the form of Scrip Dividend Shares in lieu of cash. At the annual general meeting of the Company held on 30 May 2012, the declaration of the Final Dividend was approved by the Shareholders.

LETTER FROM THE BOARD

The purpose of this circular is to set out the procedures and conditions which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Shareholders if they wish to participate in the Scrip Dividend Scheme.

PARTICULARS OF THE SCRIP DIVIDEND SCHEME

The Shareholders may receive the Final Dividend in one of the following ways:

- (a) wholly in cash at HK32 cents per Share; or
- (b) wholly by way of an allotment of the Scrip Dividend Shares credited as fully paid and having an aggregate market value (as described below) equal to the total amount of the Final Dividend, save for any adjustment for fractions; or
- (c) part of the Final Dividend entitled in cash and the balance in Scrip Dividend Shares.

The Scrip Dividend Shares will be allotted by way of capitalisation of profits to the Shareholders electing to receive new Shares in lieu of cash dividend and will rank pari passu in all respects with the existing issued Shares, and will rank in full for all future dividends and distribution which may be declared, made or paid after the date of issue thereof. No new class of Shares will be issued under the Scrip Dividend Scheme.

BASIS OF ALLOTMENT OF THE SCRIP DIVIDEND SHARES

For the purpose of calculating the number of Scrip Dividend Shares to be allotted, the market value of the Scrip Dividend Shares has been set at HK\$6.41 per Share, which is equivalent to the average of the closing prices of the Shares (the “**Average Closing Price**”) on the Stock Exchange for the five consecutive trading days from 4 June 2012 (being the first day that the Shares were traded ex-dividend) to 8 June 2012 (both days inclusive). The number of Scrip Dividend Shares which the Shareholders will be entitled to in respect of the existing Shares registered in their names as at 7 June 2012 will be calculated as follows:

$$\begin{array}{rclcl} \text{Number of Scrip} & & & & \text{HK\$0.32} \\ \text{Dividend Shares to} & & \text{Number of Shares} & \times & \text{(Final Dividend)} \\ \text{be received} & = & \text{held on 7 June 2012} & & \hline & & & & \text{HK\$6.41} \\ & & & & \text{(Average Closing Price)} \end{array}$$

If all Shareholders elect to receive their Final Dividend entitlements in Scrip Dividend Shares, based on 1,143,034,326 Shares in issue on 7 June 2012, not more than 57,062,556 Scrip Dividend Shares will be issued under the Scrip Dividend Scheme. No fractional shares will be issued under the Scrip Dividend Scheme. Fractional entitlements to Shares will not be issued but will be aggregated and sold for the benefit of the Company.

The last day on which Shareholders will be entitled to elect their form of dividend is 26 June 2012. Elections to receive the Scrip Dividend Shares must be submitted to the Company’s branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no later than 4: 30 p.m. on 26 June 2012.

LETTER FROM THE BOARD

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders elect to receive the Scrip Dividend Shares, in whole or in part in lieu of a cash dividend, such cash which would otherwise have been paid to the Shareholders will be retained for use as general working capital by the Company.

EFFECT OF THE SCRIP DIVIDEND SCHEME

As at the close of business on 7 June 2012, the number of issued Shares of the Company was 1,143,034,326. If no elections for the Scrip Dividend Shares are received, the total cash dividend payable by the Company will be approximately HK\$365,770,984.32. If all Shareholders elect to receive their entitlement in Scrip Dividend Shares, not more than 57,062,556 Scrip Dividend Shares will be issued under the Scrip Dividend Scheme, representing approximately 4.99% of the existing issued share capital of the Company and approximately 4.75% of the issued share capital of the Company as enlarged by the issue of Scrip Dividend Shares.

Shareholders should note that the receipt of the Scrip Dividend Shares may give rise to notification obligations under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.**

ELECTION FORM

An election form for Shareholders to elect to receive the Final Dividend in Scrip Dividend Shares is enclosed with this circular.

If you elect to receive your Final Dividend wholly in cash, you do not need to take any action.

If you elect to receive Scrip Dividend Shares, or part of the Final Dividend entitled in cash and the balance in Scrip Dividend Shares, you should use the enclosed election form. If you complete the election form but do not specify the number of Shares in respect of which you wish to receive Scrip Dividend Shares, or if you elect to receive Scrip Dividend Shares in respect of a greater number of Shares than your registered holding on 7 June 2012, you will be deemed to have exercised your election to receive Scrip Dividend Shares in respect of all the Shares of which you were then registered as holder.

Any Shareholder who wishes to elect to receive Scrip Dividend Shares in lieu of cash in respect of the Final Dividend entitlement, either in whole or in part, must complete the enclosed election form in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 26 June 2012. No acknowledgement of receipt of the election form will be issued.

LETTER FROM THE BOARD

OVERSEAS SHAREHOLDERS

None of this circular, the form of election nor the Scrip Dividend Shares will be registered or filed under the securities laws or equivalent legislation of any jurisdiction other than, if applicable, Hong Kong.

The participation in the Scrip Dividend Scheme by Overseas Shareholders may be affected by the laws of their relevant jurisdictions. Receipt of this circular and/or an election form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this circular and/or the election form will be deemed to have been sent for information only. This circular and the election form do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company, and the election form is non-transferable. Accordingly, the Scrip Dividend Scheme will not be made available directly or indirectly, and neither this circular nor any other material or advertisement in connection with the Scrip Dividend Scheme may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Pursuant to Rule 13.36(2) of the Listing Rules, the Company had made enquiries in the relevant jurisdictions regarding the legal restrictions and requirements of regulatory body or stock exchange of extending the Scrip Dividend Scheme to the Overseas Shareholders. The Directors were advised that either there was no legal restriction or there was exemption available to the Company under the applicable legislations of the jurisdictions of the Overseas Shareholders with respect to the offer of the Scrip Dividend Shares to Overseas Shareholders according to their respective registered addresses as at the Record Date.

While no Shareholders will be excluded from the Scrip Dividend Scheme and notwithstanding the legal enquiries made by the Company, it is the responsibility of any Shareholder wishing to join the Scrip Dividend Scheme to satisfy himself as to full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction. For the avoidance of doubt, the Scrip Dividend Shares are not being offered to the public and the election forms are non-transferable. Overseas Shareholders who are in doubt as to their position should consult their own professional advisers without delay.

LISTING AND DEALINGS AND DESPATCH OF SHARE CERTIFICATES

The Scrip Dividend Scheme is conditional upon listing approval being granted by the Stock Exchange in respect of the Scrip Dividend Shares to be issued pursuant thereto. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Scrip Dividend Shares.

The register of members has been closed from 5 June 2012 to 7 June 2012, both days inclusive, during which period no transfers of Shares were effected. The Record Date of the Scrip Dividend Scheme is 7 June 2012. Deadline for the election form to be returned is scheduled to be 26 June 2012. It is expected that share certificates with respect to the Scrip Dividend Shares, and cheques for cash entitlements, will be despatched to Shareholders at the risk of those entitled thereto on or about 13

LETTER FROM THE BOARD

July 2012. Dealings in the Scrip Dividend Shares are expected to commence on the Stock Exchange on or about 17 July 2012. Subject to the granting of the listing of, and permission to deal in, the Scrip Dividend Shares issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Dividend Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. Shareholders should seek the advice of their licensed securities dealer or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed on the Stock Exchange. No Shares of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal in on any other stock exchange being or proposed to be sought.

CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the approval of the Stock Exchange for the listing of, and permission to deal in, the Scrip Dividend Shares. If the condition is not satisfied, Shareholders will receive the Final Dividend wholly in cash. Apart from this condition, there are no other conditions to the Final Dividend.

RECOMMENDATION AND ADVICE

Whether or not it is to your advantage to elect to receive cash or the Scrip Dividend Shares or a combination thereof depends upon your own individual circumstances, and the decision in this regard and all effects and consequences resulting therefrom are your sole responsibility. No financial product advice is given in this circular (or any other material) in relation to the Scrip Dividend Scheme and that nothing in this circular (or any other material) should be taken to constitute a recommendation or opinion that is intended to influence any Shareholders in making a decision to participate in the Scrip Dividend Scheme.

If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the Final Dividend in scrip form or if any government or other consent is required. Shareholders who are trustees are recommended to take professional advice as to whether the choice of the Scrip Dividend Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

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

Hong Kong, 12 June 2012