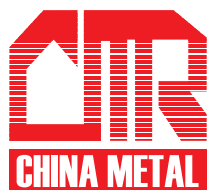


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## **CHINA METAL RECYCLING (HOLDINGS) LIMITED**

**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)**

### **ANNOUNCEMENT ESTABLISHMENT OF COOPERATIVE JOINT VENTURE**

This is a voluntary announcement made by the Company.

The Board is pleased to announce that on 28 June 2012, Guangzhou Asia Steel, a subsidiary of the Company, entered into an agreement with GDMRC to establish the Cooperative Joint Venture to engage in the business of scrap motor vehicles dismantling and auto parts trading, in order to make use of both parties' comparative advantages and efforts to establish an enterprise of the largest motor vehicles dismantling platform enterprise in Guangdong province.

The Group will contribute RMB4,000,000 (equivalent to approximately HK\$4.9 million) in cash to the working capital of the Cooperative Joint Venture. Under Chapter 14 of the Listing Rules, all of the applicable ratios for the establishment of the Cooperative Joint Venture are less than 5% and therefore the establishment of the Cooperative Joint Venture will not constitute a notifiable transaction for the Company.

This is a voluntary announcement made by the Company.

#### **THE COOPERATIVE JOINT VENTURE**

On 28 June 2012, Guangzhou Asia Steel, a subsidiary of the Company, entered into an agreement with GDMRC pursuant to which the parties agreed to establish the Cooperative Joint Venture to engage in the business of scrap motor vehicles dismantling and auto parts trading, in order to make use of both parties' comparative advantages and efforts to establish an enterprise of the largest motor vehicles dismantling platform enterprise in Guangdong province.

Pursuant to the terms of the cooperation agreement, the Cooperative Joint Venture will have an initial investment of RMB10 million (equivalent to approximately HK\$12.4 million), which will be contributed as to 40% by Guangzhou Asia Steel and as to 60% by GDMRC. It is the intention of the parties to develop the Cooperative Joint Venture over time to have a total investment of RMB200 million (equivalent to approximately HK\$247 million). The subsequent capital requirements of the Cooperative Joint Venture will be settled according to the development of the Cooperative Joint Venture and will be dealt with by using bank or shareholders' financing. The Cooperative Joint Venture will be controlled as to 40% by the Group and as to 60% by GDMRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, GDMRC and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

The Cooperative Joint Venture will have a term of five years and will be developed into one of the largest platforms in motor vehicles dismantling and auto parts trading in Guangdong Province with an annual capacity of 1 million units. The Cooperative Joint Venture will possess state-recognized licenses approved by the Ministry of Commerce of the PRC for the dismantling of motor vehicles. The Group will leverage on the Cooperative Joint Venture and enter the field of processing, scrapping and dismantling of motor vehicles in Guangdong Province.

The Cooperative Joint Venture will be managed by a board of directors and a team of senior management, of which the Group will have the right to appoint the deputy chairman, the manager and the accountant of the Cooperative Joint Venture.

The Company's capital contributions to the Cooperative Joint Venture will be financed by the Group's internal resources.

## **BACKGROUND INFORMATION OF FDMRC**

GDMRC is a principal subsidiary of GDWZ and owns a comprehensive recycling network and processing sites in Southern China. GDWZ, restructured from the original Resources Bureau of Guangdong, is a large scale State-owned enterprise directly owned by State-owned Assets and Administration Commission, Guangdong Province, and also a large-scale operator engaged in the business of metals, recycled metals, motor vehicles dismantling and motor vehicles sale. In 2009, according to the ranking of statistical offices of China and Guangdong Province, GDWZ ranked number 103 amongst the top 500 Chinese enterprises, number 41 amongst the top 500 enterprises of the Chinese services industry, number 22 amongst the 100 largest enterprises in Guangdong Province, and number 1 amongst the trading and distribution enterprises in Guangdong Province ranked in the top 500 Chinese enterprises.

GDMRC is the vice president unit of the China National Resources Recycling Association and the Chinese Ship Recycling Association, being recognized by the Ministry of Commerce of the PRC to be an enterprise qualified for the recycling, scrapping and dismantling of motor vehicles and the recycling of imported scrapped vessels for dismantling. It is currently one of the largest processors for dismantling scrapped motor vehicles and scrapped vessels in Guangdong Province, and it is also engaged in the recycling of waste materials from manufacturing enterprises in the Guangdong Province, as well as the recycling and processing of retired military equipment.

## **REASONS FOR THE ESTABLISHMENT OF THE COOPERATIVE JOINT VENTURE**

The Cooperative Joint Venture will create a “Strong-Strong” alliance by combining the competitive advantages of the parties of the Cooperative Joint Venture: GDWZ — one of the largest groups engaging in the recycling and dismantling of scrapped motor vehicle and the recycling and scrapping of ships in Guangdong Province, also with existing licenses in the field of motor vehicles dismantling and well established collection network in Guangdong Province; the Group — which is in possession of advanced machinery such as the shredding machine that is necessary for efficient and effective motor vehicles dismantling, management experience of scaleable operations, national strategic collection, sales and financing platform, industry reputation and an advanced management system.

The parties intent to develop the Cooperative Joint Venture into one of the largest platforms in motor vehicles dismantling and auto parts trading in Guangdong Province with an annual capacity of 1 million units. The Cooperative Joint Venture will possess state-recognized licenses approved by the Ministry of Commerce of the PRC for the dismantling of motor vehicles.

Owing to earlier economic and industrial development in Guangdong Province in the past decades, Guangdong Province is one of the provinces in China with the highest motor vehicles ownership. Motor vehicles reserves in Guangdong Province has reached approximately 20 million units by the end of 2011, while the number of new automobile registration reached approximately 1.3 million in 2011. According to GDMRC, it has approximately 40% market share in the motor vehicles dismantling segment in Guangzhou in 2011. In the coming years, the replacement cycle of motor vehicles will provide ample development room for the Cooperative Joint Venture.

The Board believes that the establishment of the Cooperative Joint Venture with GDMRC would enable the Group to enter the field of the motor vehicles dismantling and auto parts trading in Guangdong Province, an area with higher profit margins. It will also allow the Group to secure raw materials supply, to path the way to further cooperate with GDWZ, and to enhance and refine the waste collection network of the Group in Guangdong province so as to fully support the central government's target of establishing a comprehensive recycling system under the 12th Five-Year Plan.

## **GENERAL**

The Company is principally engaged in the business of metal recycling, involving collecting, processing, distribution and sales of scrap metals and also engage in the dismantling of home appliances and automobiles.

The Group will initially contribute RMB4 million in cash to the working capital of the Cooperative Joint Venture. All of the applicable ratios for the establishment of the Cooperative Joint Venture are less than 5%, therefore the establishment of the Cooperative Joint Venture will not constitute a notifiable transaction for the Company.

## **DEFINITIONS**

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

“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, the securities of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Cooperative Joint Venture”	廣東省金屬回收公司吉山分公司, the Cooperative joint venture to be established by the Group and GDMRC;
“Director(s)”	the director(s) of the Company;
“GDMRC”	廣東省金屬回收公司 (Guangdong Metal Recycling Corporation*), a wholly-owned subsidiary of GDWZ;
“GDWZ”	廣東物資集團公司 (Guangdong Materials Group Corporation*), an independent third party;

“Group”	the Company and its subsidiaries;
“Guangzhou Asia Steel”	Guangzhou Asia Steel Co., Ltd., a 75% indirectly owned subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administration Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

*For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1 = HK\$1.245. No representation is made as to any amounts in RMB and HK\$ can be or could have been converted at the relevant dates using the above rate or any other rates at all.*

By order of the Board of  
**China Metal Recycling (Holdings) Limited**  
**Chun Chi Wai**  
*Chairman*

28 June 2012

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

*\* For identification purpose only*