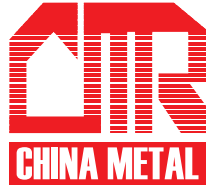


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## **CHINA METAL RECYCLING (HOLDINGS) LIMITED**

**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 PROPOSED DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER**

This announcement is made by the Company pursuant to Inside Information Provisions under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

The Board would like to announce that it has been informed by the Vendor, a controlling shareholder of the Company, that on 25 January 2013, the Vendor and the Guarantor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, being 341,174,618 Shares, representing approximately 29.0% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, immediately before the Completion, the Purchaser and its shareholders were third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Immediately following Completion, the Vendor will hold 272,032,723 Shares, representing approximately 23.1% of the issued share capital of the Company, and will cease to be the controlling shareholder of the Company; while the Purchaser will hold 341,174,618 Shares, representing approximately 29.0% of the issued share capital of the Company, and will become the single largest shareholder of the Company after Completion.

**As Completion of the Sale and Purchase Agreement is subject to the satisfaction of various conditions precedent set out in the Sale and Purchase Agreement, the disposal of the Sale Shares by the Vendor may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Further announcement will be issued by the Company upon Completion or in the event that the transaction contemplated under the Sale and Purchase Agreement does not proceed.

## **INTRODUCTION**

This announcement is made by the Company pursuant to Inside Information Provisions under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

The Board would like to announce that it has been informed by the Vendor, a controlling shareholder of the Company, that on 25 January 2013, the Vendor and the Guarantor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares. Details of the Sale and Purchase Agreement are set out below.

## **SALE AND PURCHASE AGREEMENT**

### **Date:**

25 January 2013

### **Parties:**

- (1) the Vendor;
- (2) the Guarantor; and
- (3) the Purchaser

### **Purchase price of Sale Shares:**

- (i) The aggregate purchase price is approximately HK\$3,408.6 million which shall be paid at Completion, plus the amount of HK\$100 million payable under (ii) below. The purchase price shall be reduced to the extent dividends which are declared on the Shares sold on or before Completion and the Purchaser failed to obtain rights to such dividends through Central Clearing and Settlement System. If at Completion, the number of Sale Shares is not equal to 29.0% of the total issued share capital of the Company, the number of Sale Shares shall be adjusted

accordingly, without additional consideration paid by the Purchaser, such that the adjusted number of Sale Shares shall be equal to 29.0% of the total issued share capital of the Company at Completion, provided that no adjustment shall be made hereunder in respect of shares issued as a result of the exercise of share options by any employee (other than the Guarantor's exercise of his share options).

- (ii) If (a) the Company's business performance (經營狀況) for the year ending 31 December 2013 as reported in its 2013 annual report is not worse than the year ended 31 December 2012 as reported in its 2012 annual report, and (b) there has not been any material adverse change (in respect of the Company and its subsidiaries as a whole) up to the date the Company issues its 2013 annual report and (c) the Guarantor has not been in breach of certain obligations set out in the SPA, then the Purchaser shall pay HK\$100 million to the Vendor within 10 days from the date the Company issues its 2013 annual report.

**Conditions precedent:**

Completion is conditional upon, among other things, the following conditions precedent having been fulfilled or waived (the conditions (i) and (vi) below cannot be waived), where applicable, on or before 30 June 2013 or such other date as the Purchaser and the Vendors may agree in writing:

- (i) the approval from the relevant PRC government authorities, namely approvals from the State-owned Assets Supervision and Administration Committee, the National Development and Reform Commission, the Ministry of Commerce and the State Administration of Foreign Exchange, being obtained by the Purchaser with respect to its acquisition of the Sale Shares,
- (ii) the necessary consents and approvals from relevant banks or lending institutions with respect to the transfer of the Sale Shares (if applicable) being obtained by the Vendors;
- (iii) there being no suspension of trading of the Shares on the Stock Exchange for more than 20 consecutive business days from the date of the Sale and Purchase Agreement, other than any suspension arising as a result of the Sale and Purchase Agreement;
- (iv) there has been no material breach of undertakings, representations and warranties set out in the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement to the date of Completion;

- (v) there has been no material adverse change to the Group from the date of the Sale and Purchase Agreement to the date of Completion;
- (vi) the Purchaser and Vendors being satisfied that that no general offer obligation under the Takeovers Code will arise on the Purchaser as a result of the acquisition of the Sale Shares; and
- (vii) the Board approving, with subject to Completion taking place, the following:
  - a. three existing Directors to resign from the Board and five persons nominated by the Purchaser (“**Purchaser Nominated Directors**”) to be appointed as executive Directors and non-executive Directors, such that the Purchaser Nominated Directors shall form the majority of the Board, which should consist of nine Directors;
  - b. the Company to amend its articles of association to the effect that the Board shall have two co-chairmen and procure that the Guarantor be re-designated as a co-chairman of the Board and a Purchaser Nominated Director be appointed as the other co-chairman;
  - c. one Purchaser Nominated Director to be appointed as a member of the Company’s nomination committee; the nomination committee should consist of five members, of which three shall be independent non-executive Directors, one should be a Purchaser Nominated Director and the other one should be the Guarantor; and
  - d. the Board to establish an investment committee to assist the chief executive officer of the Company in relation to formulating investment strategies and assisting in capital market strategies. The investment committee should consist of five members, of which three should be Purchaser Nominated Directors, one should be an independent non-executive Director and the other one should be the Guarantor. One of the Purchaser Nominated Directors to be appointed as the chairman of this committee.

Completion shall take place within five business days after the conditions precedent to the Sale and Purchase Agreement (other than condition (vii)) have been fulfilled (or such other date as the Vendors and the Purchaser may agree).

**Long Stop Date:**

If Completion does not happen on or before 30 June 2013, either the Vendor or the Purchaser can terminate the SPA.

## **Undertakings:**

The Vendor undertakes to the Purchaser to (a) procure the Company to approve the matters in the above condition (vii), (b) procure the Company to amend the articles of association of the Company to the effect that the Board should have two co-chairmen; and (c) vote in favor of the re-election of the Purchaser Nominated Directors at the Company's next annual general meeting immediately following Completion when such Purchaser Nominated Directors are required for possible re-election in accordance with the articles of association of the Company.

Other than as indicated above, neither the Vendor nor the Guarantor has any continuing obligation, agreement or understanding (whether formal or informal and whether legally binding or otherwise) to the Purchaser (a) facilitate any appointment of any Purchaser Nominated Director on the Board, or (b) prevent the removal of any Purchaser Nominated Director from the Board.

The Guarantor undertakes to the Purchaser:

- (i) to use commercially reasonable efforts to procure the Company to develop in a healthy and sustainable manner and to focus on scrap metal recycling;
- (ii) that he will not voluntarily resign from the role of the chief executive officer and co-chairman of the Company for at least five years after Completion;
- (iii) that during his employment with the Company and the five-year period from the date of his resignation from the Company, he will not, whether directly or indirectly, be involved in any business which is in competition with or is likely to be in competition with any business of the Company;
- (iv) during his employment with the Company and the five-year period from the date of his resignation from the Company, he will not solicit or procure any senior management of the Company to resign from the Company;
- (v) that during the five-year period from Completion, the Guarantor shall use his commercially reasonable efforts to maintain stability of the senior management team of the Company; and
- (vi) at any time during the five-year period from Completion, the shareholding of the Guarantor (or any entity owned by him and including parties acting in concert with him) in the Company shall not be less than 15% nor more than 25% of the then issued share capital of the Company (excluding for this purpose, any dilution arising as a result of new shares issuance by the Company from time to

time), and in the event that the Guarantor purchases additional shares in the Company, his shareholding (including shareholding through any entity owned by him and including parties acting in concert with him) shall not exceed 25% of the then issued share capital of the Company.

The Purchaser undertakes to the Vendor and to the Guarantor that at any time during the five-year period from Completion, its shareholding in the Company (together with any shareholding in the Company held by any party acting in concert with it in respect of voting rights in the Company, which, in any event, shall not include the Vendor or the Guarantor) shall not be less than 20% of the then total issued share capital of the Company (excluding for this purpose, any dilution arising as a result of new shares issuance by the Company from time to time).

### CHANGES IN SHAREHOLDING OF THE COMPANY

Immediately following Completion, the Vendor will hold 272,032,723 Shares, representing approximately 23.1% of the issued share capital of the Company, and will cease to be the controlling shareholder of the Company; while the Purchaser will hold 341,174,618 Shares, representing approximately 29.0% of the issued share capital of the Company, and will become the single largest shareholder of the Company after Completion.

The shareholding structure of the Company as at the date of this announcement and immediately after Completion is as follows:

	As at the date of this announcement		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Guarantor	614,897,505	52.3	273,722,887	23.3
<i>In his own name</i>	1,690,164	0.1	1,690,164	0.1
<i>Through the Vendor</i>	613,207,341	52.1	272,032,723	23.1
The Purchaser	—	—	341,174,618	29.0
Other Shareholders	<u>561,566,694</u>	<u>47.7</u>	<u>561,566,694</u>	<u>47.7</u>
Total	<u>1,176,464,199</u>	<u>100</u>	<u>1,176,464,199</u>	<u>100</u>

## **BACKGROUND OF THE PURCHASER**

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, immediately before the Completion, the Purchaser and its shareholders were third parties independent of the Company and its connected persons (as defined under the Listing Rules). The Purchaser, 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group\*), is a state-owned enterprise under the direct supervision and ownership of State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which is primarily engaged in the fields of energy conservation, emission reduction and environmental protection.

**As Completion of the Sale and Purchase Agreement is subject to the satisfaction of various conditions precedent set out in the Sale and Purchase Agreement, the disposal of the Sale Shares by the Vendor may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Further announcement will be issued by the Company upon Completion or in the event that the transaction contemplated under the Sale and Purchase Agreement does not proceed.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“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
“Completion”	completion of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chun Chi Wai, an executive Director, the chairman and the chief executive officer of the Company
“HK\$”	Hong Kong dollars, 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
“Purchaser”	中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group*), a state-owned enterprise under the direct supervision and ownership of State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which is primarily engaged in the fields of energy conservation, emission reduction and environmental protection.
“Sale and Purchase Agreement” or “SPA”	the conditional sale and purchase agreement dated 25 January 2013 entered into among the Vendor, the Guarantor and the Purchaser in relation to the sale and purchase of Sale Shares
“Sale Shares”	341,174,618 Shares to be sold by the Vendor pursuant to the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of the Company of HK\$0.0001 each
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Takeovers Codes”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Vendor”	Wellrun Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Chun Chi Wai
“%”	per cent.

On behalf 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*

25 January 2013

*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.*

*\* For identification purpose only*