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CHINA METAL RESOURCES HOLDINGS LIMITED

中國金屬資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8071)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 23 January 2008 and the circular of the Company dated 13 May 2008 in relation to, among other matters, a very substantial acquisition and connected transaction whereby the Group acquired an indirect 80% equity interest in the CJV. Completion of the said transaction has taken place and the CJV has become a 80% indirectly held subsidiary of the Company.

Pursuant to the Agreement, the CJV intends to invest in and contribute to the capital investment of the Ore Supplier.

On 12 January 2009, the PRC Partner and the CJV, an indirect non wholly-owned subsidiary of the Company, entered into the Agreement pursuant to which the CJV has conditionally agreed to pay up the additional amount of the registered capital of the Ore Supplier, i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160). Details of the Investment are set out below.

The PRC Partner is a connected person of the Company as it was a substantial shareholder of the CJV as at the date of this announcement. As such, the Investment constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Investment also constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, any vote at the EGM shall be taken by poll. As at the date of this announcement, neither the PRC Partner, the CJV nor the Ore Supplier held any Shares and no Shareholder was required to abstain from voting at the EGM.

GENERAL

A circular containing, among other matters, further details of the Investment and the Agreement, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Investment and the Agreement, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Investment and the Agreement and a notice convening the EGM, will be despatched to the Shareholders in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13 January 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 15 January 2009.

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 23 January 2008 and the circular of the Company dated 13 May 2008 in relation to, among other matters, a very substantial acquisition and connected transaction whereby the Group acquired an indirect 80% equity interest in the CJV. Completion of the said transaction has taken place and the CJV has become a 80% indirectly held subsidiary of the Company.

Pursuant to the Agreement, the CJV intends to invest in and contribute to the capital investment of the Ore Supplier.

THE AGREEMENT

Date: 12 January 2009

Parties:

The PRC Partner : 雲南省核工業209地質大隊 (Geological Brigade 209 of the Nuclear Industry of Yunnan Province*) which is principally engaged in mining and smelting. It is a connected person of the Company as it was a substantial shareholder of the CJV as at the date of this announcement.

CJV : 雲南西部礦業有限公司 (Yunnan Xibu Mining Company Limited*), an indirect non wholly-owned subsidiary of the Company which is principally engaged in the exploration of mines in the PRC at permitted and authorised locations.

Investment

As at the date of this announcement, the registered capital of the Ore Supplier was RMB468,000 (equivalent to approximately HK\$528,840) and the Ore Supplier was controlled by the PRC Partner. It is proposed that the registered capital of the Ore Supplier be increased from RMB468,000 to RMB5,200,000 (equivalent to approximately HK\$5,876,000) by an addition of RMB4,732,000 (equivalent to approximately HK\$5,347,160). Pursuant to the Agreement, the CJV has conditionally agreed to pay up the additional amount of the registered capital of the Ore Supplier, i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160).

The Agreement shall become effective upon the following conditions being fulfilled:

- a. passing of the resolution(s) in relation to the Investment and the transactions contemplated under the Agreement by the shareholders of the CJV; and
- b. obtaining of all relevant approvals by the PRC Partner in relation to the Investment and the transactions contemplated under the Agreement from the PRC government regulatory departments.

Upon the fulfillment of the above conditions and within 30 days after the obtaining by the Ore Supplier of the new business licence in relation to the Investment, the CJV shall pay up the amount representing the increase of the proposed registered capital of the Ore Supplier, i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160). The amount of the registered capital to be paid up will be satisfied by internal resources of the Group. Upon completion of the Investment, the Ore Supplier will be controlled by the PRC Partner and the CJV as to 9% and 91% respectively.

The Investment was determined by the PRC Partner and the CJV on the basis of normal commercial terms and arm's length negotiations with reference to (i) the continuous growth in the market price of gold in recent years; and (ii) the further business and growth potential of the Ore Supplier. The Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) consider that the terms of the Agreement (including the Investment), which are determined on an arm's length basis, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In the event that the conditions stated above are not fulfilled within 120 days from the date of the Agreement or such later date as the PRC Partner and the CJV may agree, the Agreement shall cease and determine.

Completion

Upon completion of the Investment, the Ore Supplier will become a non wholly-owned subsidiary of the CJV and an indirect non wholly-owned subsidiary of the Company and the financial results of the Ore Supplier will be consolidated into the consolidated financial statements of the Company. Upon completion of the Investment, the Ore Supplier will cease to be an associate of the PRC Partner, and hence the Ore Supplier will cease to be a connected person of the Company. As a result, the Supply Agreement and the transactions contemplated thereunder (details of which are set out in the paragraph headed "Proposed non-exempt continuing connected transaction" in the section headed "Letter from the Board" in the circular of the Company dated 13 May 2008) will no longer be non-exempt continuing connected transaction for the Company.

INFORMATION ON THE ORE SUPPLIER

The Ore Supplier is a company established in the PRC and is controlled by the PRC Partner. The Ore Supplier is principally engaged in gold mining and processing. It also owns the mining right of the gold mine with an area of approximately 0.43 sq. km. located at Luoxi City, Yunnan Province, the PRC.

According to the unaudited financial statements of the Ore Supplier prepared in accordance with the accounting regulations in the PRC, the unaudited net loss before and after tax for the year ended 31 December 2007 were both approximately RMB1.42 million (equivalent to approximately HK\$1.60 million), and the unaudited net loss before and after tax for the year ended 31 December 2006 were approximately RMB0.26 million (equivalent to approximately HK\$0.29 million) and RMB0.18 million (equivalent to approximately HK\$0.20 million) respectively. The unaudited net liabilities of the Ore Supplier as at 31 December 2007 was approximately RMB0.89 million (equivalent to approximately HK\$1.01 million). The unaudited net loss before and after tax for the nine months ended 30 September 2008 of the Ore Supplier were both approximately RMB0.17 million (equivalent to approximately HK\$0.19 million), and the unaudited net liabilities of the Ore Supplier as at 30 September 2008 was approximately RMB1.06 million (equivalent to approximately HK\$1.20 million). The financial information of the Ore Supplier for the year ended 31 December 2008 is not yet available, it is expected that the financial information of the Ore Supplier for the year ended 31 December 2008 will be disclosed in the circular of the Company to be despatched.

REASONS FOR THE INVESTMENT

The Group is principally engaged in the staff secondment and system integration, trading of hardware and software, exploration, mining and refining mineral resources businesses. On 26 August 2008, a very substantial acquisition and connection transaction of the Company, as detailed in the announcement and the circular of the Company dated 23 January 2008 and 13 May 2008 respectively, was completed. The CJV has become an indirect non wholly-owned subsidiary of the Company which provides an opportunity for the Company to expand its business to the natural resources sector, in particular the gold mining industry in the PRC.

The CJV is principally engaged in gold exploration within the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunan Province, the PRC with an area of approximately 113.96 sq. km., the exploration right of which has been acquired by the CJV. Since the gold mining site owned by the Ore Supplier is located adjacent to the exploration area owned by the CJV, the Directors believe that synergy can be achieved with the business of the CJV after completion of the Investment. After taking into consideration of the benefits of the Investment, the Board (excluding the independent non-executive Directors) is of the opinion that the terms of the Investment are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The PRC Partner is a connected person of the Company as it was a substantial shareholder of the CJV as at the date of this announcement. As such, the Investment constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Investment also constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, any vote at the EGM shall be taken by poll. As at the date of this announcement, neither the PRC Partner, the CJV nor the Ore Supplier held any Shares and no Shareholder was required to abstain from voting at the EGM.

The Independent Board Committee will be established to consider the Investment and to advise the Independent Shareholders in relation to the terms of the Investment and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Investment.

EGM

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the Shareholders by way of a poll for the transactions contemplated under the Agreement, including, amongst other things, the Investment. In accordance with the GEM Listing Rules, any vote at the EGM shall be taken by poll.

GENERAL INFORMATION

A circular containing, among other matters, further details of the Investment and the Agreement, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Investment and the Agreement, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Investment and the Agreement, the accountants' report of the Ore Supplier and a notice convening the EGM, will be despatched to the Shareholders in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13 January 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 15 January 2009.

TERMS USED IN THIS ANNOUNCEMENT

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

“Agreement”	the agreement dated 12 January 2009 and entered into between the PRC Partner and the CJV in respect of the Investment
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“CJV”	雲南西部礦業有限公司 (Yunnan Xibu Mining Company Limited*), a Chinese foreign co-operative joint venture company established under the PRC laws on 14 May 2004
“Company”	China Metal Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held, to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the connected persons of the Company with a material interest in the relevant matters mentioned in this announcement (if any)
“Investment”	the payment of the amount representing the increase of the proposed registered capital of the Ore Supplier, i.e. RMB4,732,000 (equivalent to approximately HK\$5,347,160) conditionally agreed to be paid up by the CJV
“Ore Supplier”	the supplier named in the Supply Agreement (i.e. 潞西市核工業209芒市金礦 (Luxi City Nuclear Industry 209 Mangshi Gold Mine*))
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Partner”	雲南省核工業209地質大隊 (Geological Brigade 209 of the Nuclear Industry of Yunnan Province*), the PRC partner to the CJV holding 20% equity interest in the CJV
“Share(s)”	existing ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the supply agreement dated 19 December 2007 entered into between the CJV and the Ore Supplier in respect of the supply of all the ore extracted from an area of 0.43 sq. km. of a gold mining site located at Luoxi City, Yunnan Province, the PRC which is subject to a mining operation permit to the CJV
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“sq. km.” square kilometer(s)

“%” per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.13.

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

Hong Kong, 14 January 2009

* *The English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

As at the date of this announcement, the executive Directors are Messrs. Leung Ngai Man and Ng Kwok Chu, Winfield and Ms. Wu Wei Hua; and the independent non-executive Directors are Dr. Leung Wai Cheung, Messrs. Chan Sing Fai and Liu Jia Qing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven (7) days from the date of its publication and on the Company’s website at www.cmr8071.com.