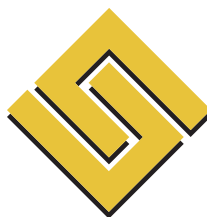

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



Menlo Capital Limited

A letter from the independent board committee is set out on page 9 of this circular. A letter from the independent financial adviser to the independent board committee and the independent shareholders of the Company is set out on pages 10 to 15 of this circular.

A notice convening the extraordinary general meeting of the Company to be convened at Unit 1006, 10th Floor, Tower One Lippo Centre, 89 Queensway, Hong Kong on Friday, 12 November 2010 at 11:00 a.m. is set out on pages 16 to 18 of this circular. Form of proxy for use in the extraordinary general meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjourned meeting thereof to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Articles”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	China Metal Resources Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8071)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Unit 1006, 10th Floor, Tower One Lippo Centre, 89 Queensway, Hong Kong, on Friday, 12 November 2010 at 11:00 a.m., the notice of which is set out on pages 16 to 18 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general and unconditional mandate granted to the Directors by the Shareholders pursuant to ordinary resolution passed at the Last AGM to exercise the power of the Company to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the Last AGM
“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 established for the purpose of advising the Independent Shareholders in relation to the refreshment of the General Mandate
“Independent Shareholders”	any Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates

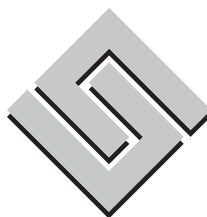
DEFINITIONS

“Independent Third Party”	a person who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Last AGM”	the annual general meeting of the Company held on 20 April 2010
“Latest Practicable Date”	21 October 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Menlo”	Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the General Mandate
“Mr. Leung”	Mr. Leung Ngai Man, an executive Director and a substantial Shareholder
“New General Mandate”	the general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Samsung Securities (Asia) Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 25 August 2010 made among Mr. Leung, the Company and the Placing Agent in relation to the Placing
“Placing Shares”	588,405,000 existing Shares, beneficially owned by Mr. Leung, have been placed by Mr. Leung pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	conditional subscription by Mr. Leung of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 25 August 2010 entered into between the Company and Mr. Leung in relation to the Subscription
“Subscription Shares”	588,405,000 new Shares subscribed by Mr. Leung, equivalent to the number of Placing Shares placed by Mr. Leung pursuant to the Placing Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Leung Ngai Man (*Chairman*)
Mr. Ng Kwok Chu, Winfield
Ms. Wu Wei Hua

Independent non-executive Directors:

Dr. Leung Wai Cheung
Mr. Cai Wei Lun
Mr. Wang Jun Sui

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Head office and principal place of
business in Hong Kong:***

Unit 1006, 10th Floor
Tower One Lippo Centre
89 Queensway
Hong Kong

26 October 2010

*To the Shareholders and, for information purposes only,
the holders of outstanding options and convertible bonds of the Company*

Dear Sirs/Madam,

REFRESHMENT OF THE GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

The Directors would put forward to the Independent Shareholders for approval at the EGM the grant of the New General Mandate.

The purpose of this circular is to provide you with information regarding (i) the proposed grant of the New General Mandate; (ii) the recommendation from the Independent Board Committee; (iii) the recommendation from Menlo to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

REFRESHMENT OF THE GENERAL MANDATE

Background of the General Mandate

At the Last AGM, the then Shareholders passed an ordinary resolution to grant to the Directors the General Mandate to allot, issue and deal with a maximum of 837,011,049 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the Last AGM.

As set out in the announcement of the Company dated 26 August 2010, (i) Mr. Leung, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, 588,405,000 Shares held by Mr. Leung to Independent Third Parties; and (ii) the Company and Mr. Leung entered into the Subscription Agreement pursuant to which Mr. Leung has conditionally agreed to subscribe for the 588,405,000 Subscription Shares, and such Subscription Shares would be issued pursuant to the General Mandate. As stated in the announcement of the Company dated 3 September 2010, completion of the Placing and the Subscription has been taken place on 30 August 2010 and 3 September 2010 respectively and 588,405,000 new Shares have been successfully subscribed by Mr. Leung. Accordingly, the General Mandate has been significantly utilised with only 248,606,049 Shares remain outstanding under the General Mandate as at the Latest Practicable Date. As at the Latest Practicable Date, the Company had an aggregate of 7,080,570,247 Shares in issue and the 248,606,049 Shares remain outstanding under the General Mandate represented only approximately 3.5% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the net proceeds from the Subscription of approximately HK\$82 million has not been utilised but are intended to be used for general working capital of the Group and to finance any possible acquisition plan of the Group in the future. The Directors are currently under negotiation for a possible acquisition (the “**Possible Acquisition**”) of a PRC company engaged in the provision of technology development, logistic services, distribution management and marketing for lottery sales system which, if materialise, will be expected to cost about RMB15 million and will be funded by the net proceeds from the Subscription. It is expected that the Possible Acquisition, if materialise, will not constitute a notifiable transaction for the Company under the GEM Listing Rules. Save as the Possible Acquisition, the Company did not identify any concrete investment opportunities as at the Latest Practicable Date. In addition, pursuant to the “Notice in relation to the Temporarily Administrative Measures for Internet Lottery Sales” (關於印發《互聯網銷售彩票管理暫行辦法》的通知) (the “**Temporarily Administrative Measures**”) issued by the Ministry of Finance of the PRC on 26 September 2010, the registered capital of the co-operation units and internet sales agents for lottery sales should not be less than RMB50 million. As the Group acquired 51% interests in Shenzhen Huancai Puda Technology Company Limited (深圳環彩普達科技有限公司) (“**Shenzhen Huancai**”) in August 2010 which total registered capital is RMB40.81 million as at the Latest Practicable Date, the Company will increase the registered capital of Shenzhen Huancai in proportion to its shareholding to meet the Temporarily Administrative Measures and the increase in the registered capital of Shenzhen Huancai will be funded by the net proceeds from the Subscription.

LETTER FROM THE BOARD

Refreshment of the General Mandate since the Last AGM

There was no refreshment of the General Mandate since the date of the Last AGM and up to the Latest Practicable Date.

Reasons for and benefits of the refreshment of the General Mandate

The Company is an investment holding company. The Group is principally engaged in trading of computer hardware and software and exploration of mining resources business in the PRC. After the acquisition of Shenzhen Huancai in August 2010, the Group is also engaged in the development and provision of operation software system sector of the PRC welfare lottery market. The Group will continue its focus to identify potential business opportunities in the area of the PRC lottery related businesses.

As the General Mandate has been significantly utilised on the basis that the 248,606,049 Shares remain outstanding under the General Mandate represented only approximately 3.5% of the issued share capital of the Company as at the Latest Practicable Date, and the proceeds from the Subscription are intended to be used for general working capital of the Group and to finance any possible acquisition plan of the Group in the future, the Directors consider that additional funding may be required for further development of the Group's business when appropriate investment opportunities arise prior to the next annual general meeting and it is important for the Company to be able to raise fund quickly to capture such investment opportunities. The Directors are continuously looking for projects with possible business potential and the Directors noted that save for the Possible Acquisition, many of the projects with possible business potential cost over than the current available cash of the Company. If the Company intends to proceed with such projects, additional resources (such as cash or issue of consideration shares) will be required for the satisfaction of the consideration for the acquisition of such projects. Accordingly, the Directors believe that it is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate by maintaining the financial flexibility necessary for the Company's future business development and/or the funds raising through the issue of new Shares under the New General Mandate upon refreshed. As the next annual general meeting is not expected to be held until April 2011, which is about six months away from the Latest Practicable Date, if the General Mandate (which has already been partially utilised) is not refreshed at the EGM, the Company will not have sufficient general mandate, if so required to be utilised, until the general mandate is approved at the next annual general meeting.

The Directors consider that equity financing through the use of the New General Mandate is an important avenue of resources to the Group, as it (i) does not incur any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. For these reasons, the Directors therefore proposed to seek the approval from the Independent Shareholders at the EGM on the grant of the New General Mandate.

LETTER FROM THE BOARD

The Company has an aggregate of 7,080,570,247 Shares in issue as at the Latest Practicable Date. Assuming that no Shares will be issued or repurchased by the Company between the Latest Practicable Date and the date of the EGM and subject to the passing of the ordinary resolution for the approval of the grant of the New General Mandate, the New General Mandate (if granted) will empower the Directors to allot, issue and otherwise deal with up to a maximum of 1,416,114,049 new Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date. At the EGM, upon the ordinary resolution relating to the grant of the New General Mandate is approved by the Independent Shareholders, the General Mandate will be revoked.

Implication of the GEM Listing Rules

Pursuant to Rule 17.42A of the GEM Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the grant of the New General Mandate and such resolution shall be voted by way of poll.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, there was no controlling Shareholder and apart from (i) Mr. Leung Ngai Man, an executive Director and the chairman of the Company and the beneficial owner of Speedy Well Investments Limited, was beneficially interested in 1,978,184,400 Shares (representing approximately 27.94% of the issued share capital of the Company as at the Latest Practicable Date); and (ii) Mr. Ng Kwok Chu, Winfield, an executive Director, was beneficially interested in 472,500 Shares (representing approximately 0.01% of the issued share capital of the Company as at the Latest Practicable Date), none of the Directors (including Ms. Wu Wei Hua, an executive Director) and/or her associates was interested in any issued Shares. Accordingly, Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield, Speedy Well Investments Limited and any Directors who shall hold Shares as at the date of the EGM and their respective associates are required to abstain from voting in favour of the resolution at the EGM, and such resolution shall be voted by way of poll.

An Independent Board Committee has been established to make recommendations to the Independent Shareholders, and Menlo has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the New General Mandate.

Period during which the New General Mandate will remain effective

The New General Mandate will, if granted, remain effective until the earliest of (i) the date of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held by the Articles or any applicable laws of the Cayman Islands; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

EGM

The notice of the EGM is set out on pages 16 to 18 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

At the EGM, an ordinary resolution will be proposed to approve the grant of the New General Mandate.

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and, in any event not later than 48 hours before the time for the EGM or any adjournment thereof to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RESPONSIBILITY STATEMENT

This circular, 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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

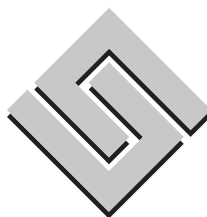
RECOMMENDATION

The Directors are of the opinion that the refreshment of the General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to approve the grant of the New General Mandate.

In addition, your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 9 of this circular and the letter of advice from Menlo set out on pages 10 to 15 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate and the principal factors considered by it in arriving at its recommendation.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

26 October 2010

To the Independent Shareholders

Dear Sir/Madam,

**REFRESHMENT OF THE GENERAL MANDATE
TO ALLOT AND ISSUE SHARES**

We refer to the circular issued by the Company to the Shareholders dated 26 October 2010 (“**Circular**”) of which this letter forms part. Terms defined in this Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the granting of the New General Mandate, details of which are set out in the Circular.

Having considered the advice of Menlo in relation thereto as set out in the Circular, we are of the opinion that the grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole and the terms of the granting of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the grant of the New General Mandate.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Dr. Leung Wai Cheung

Mr. Cai Wei Lun

Mr. Wang Jun Sui

Independent non-executive Directors

LETTER FROM MENLO

The following is the text of a letter from Menlo Capital Limited for the purpose of incorporation in this circular, in connection with its advice in relation to the grant of the New General Mandate:



Menlo Capital Limited
Room B-C, 6/F., Sincere Insurance Bldg.,
6 Hennessy Road, Wanchai, Hong Kong

26 October 2010

*To the Independent Board Committee and the
Independent Shareholders of the Company*

Dear Sirs,

REFRESHMENT OF THE GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and whether the terms of the granting of the New General Mandate are fair and reasonable as far as the Independent Shareholders are concerned. Details of the grant of the New General Mandate are set out in the letter from the Board contained in the circular (the "Circular") issued by the Company to the Shareholders dated 26 October 2010 of which this letter forms a part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The New General Mandate is proposed to the Independent Shareholders prior to the Company's next annual General Meeting, and therefore, pursuant to the GEM Listing Rules, the New General Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM. The Independent Board Committee has been formed to advise the Independent Shareholders on the grant of the New General Mandate.

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, facts and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We are also not aware that any statements of

LETTER FROM MENLO

belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred in the Circular.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the New General Mandate, we have taken the following principal factors and reasons into consideration:

I. Background

The Company is an investment holding company. The Group is principally engaged in trading of computer hardware and software and exploration of mining resources business in the PRC.

After the acquisition of a PRC company in August 2010, the Group is also engaged in the development and provision of operation computer software system sector of the PRC welfare lottery market. The Group will continue its focus to identify potential business opportunities in the area of PRC lottery related businesses.

At the Last AGM, the then Shareholders passed an ordinary resolution to grant to the Directors the General Mandate to allot, issue and deal with a maximum of 837,011,049 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the Last AGM.

As set out in the announcement of the Company dated 26 August 2010, (i) Mr. Leung, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, 588,405,000 Shares held by Mr. Leung to Independent Third Parties; and (ii) the Company and Mr. Leung entered into the Subscription Agreement pursuant to which Mr. Leung has conditionally agreed to subscribe for the 588,405,000 Subscription Shares, and such Subscription Shares would be issued pursuant to the General Mandate. As stated in the announcement of the Company dated 3 September 2010, completion of the Placing and the Subscription has been taken place on 30 August 2010 and 3 September 2010 respectively and 588,405,000 new Shares have been successfully subscribed by Mr. Leung. Accordingly, the General Mandate has been significantly utilised with only 248,606,049 Shares remain outstanding under the General Mandate as

LETTER FROM MENLO

at the Latest Practicable Date. As at the Latest Practicable Date, the Company had an aggregate of 7,080,570,247 Shares in issue and the 248,606,049 Shares remaining outstanding under the General Mandate represented only approximately 3.5% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the net proceeds from the Subscription of approximately HK\$82 million has not been utilised but are intended to be used for general working capital of the Group and to finance any possible acquisition plan of the Group in the future. The Directors are currently under negotiation for a possible acquisition (the “Possible Acquisition”) of a PRC company engaged in the provision of technology development, logistic services, distribution management and marketing for lottery sales system which, if materialise, will cost about RMB15 million and will be funded by the net proceeds from the Subscription. Save as the Possible Acquisition, the Company did not identify any concrete investment opportunities as at the Latest Practicable Date. In addition, pursuant to the “Notice in relation to the Temporarily Administrative Measures for Internet Lottery Sales” (關於印發《互聯網銷售彩票管理暫行辦法》的通知) (“Temporarily Administrative Measures”) issued by the Ministry of Finance of the PRC on 26 September 2010, the registered capital of the co-operation units and internet sales agents for lottery sales should be not less than RMB50 million. As the Group acquired 51% interests in Shenzhen Huancai Puda Technology Company Limited (深圳環彩普達科技有限公司) (“Shenzhen Huancai”) in August 2010 which total registered capital was RMB40.81 million as at the Latest Practicable Date. The Company will increase the registered capital of Shenzhen Huancai in proportion to its shareholding to meet the Temporarily Administrative Measures and the increase in the registered capital of Shenzhen Huancai will be funded by the net proceeds from the Subscription.

II. Current resources and financial flexibility

As the General Mandate has been significantly utilised on the basis that the 248,606,049 Shares remaining outstanding under the General Mandate represented only approximately 3.5% of the issued share capital of the Company as at the Latest Practicable Date, and the proceeds from the Subscription are intended to be used for general working capital of the Group and to finance any possible acquisition plan of the Group in the future, the Directors consider that additional funding may be required for further development of the Group’s business when appropriate investment opportunities arise prior to the next annual general meeting and it is important for the Company to be able to raise fund quickly to capture such investment opportunities. The Directors are continuously looking for projects with possible business potential and the Directors noted that save for the Possible Acquisition, many of the projects with possible business potential may cost over than the current available cash of the Company. If the Company intends to proceed with such projects, additional resources (such as cash or issue of consideration shares) will be required for the satisfaction of the consideration for the acquisition of such projects. Accordingly, the Directors believe that it is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate by maintaining the financial flexibility necessary for the Company’s future business development and/or the funds raising through the issue of new Shares under the New General Mandate upon refreshed. As the next annual general meeting is not expected to be held until April 2011, which is about six months away from the Latest Practicable Date, if the General Mandate (which has already been partially utilised) is not refreshed at the EGM, the Company will not have sufficient general mandate, if so required to be utilised, until the general mandate is approved at the next annual general meeting.

LETTER FROM MENLO

Based on the unaudited consolidated accounts of the Group as at 30 June 2010, the cash and bank balances was approximately HK\$14.1 million while the total liabilities was approximately HK\$1.8 million. On 26 August 2010, the Group has completed a placing of new Shares to raised net proceeds of approximately HK\$82 million. On 27 August 2010, the Group completed the very substantial acquisition of group of companies specialized in the provision of innovative sales channel technical service and operation service of lottery sales to lottery issuing centers in the PRC, with a total consideration of HK\$2,112.5 million settled in the following manner:

- (i) HK\$67 million was settled by the cash;
- (ii) HK\$48 million was satisfied by consideration shares;
- (iii) HK\$1,200 million was satisfied by issuance of the promissory note to the vendor; and
- (iv) the remaining balance of the consideration (being HK\$797.5 million) was satisfied by the issuance of the convertible bonds to the vendor.

According to the above transactions, the Group has incurred the non-current liabilities under the promissory note of HK\$1,200 million.

In view of the above, we consider that the granting of the New General Mandate could provide the Group with the maximum flexibility as allowed under the GEM Listing Rules to allot and issue new Shares to be used for general working capital of the Group and to finance any possible acquisition plan of the Group in the future when such opportunities arise. In addition to enhancing the capability and flexibility for the Company to manage its business, the increase in the amount of capital raised under the New General Mandate will further improve the overall financial position of the Group. Accordingly, we are of the view that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

III. Other financing alternatives

In appropriate circumstances, other than raising funds by way of issuing equity capital, the Directors may also consider other financing methods, such as debt financing, to fund its future business development. The Directors consider that equity financing through the use of the New General Mandate is an important avenue of resources to the Group, as it (i) does not incur any interest paying obligations on the Group as in debt financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Directors therefore proposed to seek the approval from the Independent Shareholders at the EGM on the grant of the New General Mandate. Having considered the benefits of the New General Mandate, we are of the view that it is reasonable for the Directors to seek the approval on the grant of the New General Mandate.

LETTER FROM MENLO

IV. Potential dilution to shareholding of the Independent Shareholders

The Company will propose to put the following ordinary resolutions to be considered at the EGM so as to seek approval of the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

The Company had an aggregate of 7,080,570,247 Shares in issue as at the Latest Practicable Date. Assuming no further Shares will be issued or repurchased by the Company between the Latest Practicable Date and the date of the EGM and subject to the passing of the ordinary resolution for the approval of the grant of the New General Mandate, the New General Mandate (if granted) will empower the Directors to allot, issue or otherwise deal with up to a maximum of 1,416,114,049 new Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date. At the EGM, upon the ordinary resolution relating to the grant of the New General Mandate is approved by the Independent Shareholders, the General Mandate will be revoked.

The shareholding of the all existing Shareholders may be diluted by a maximum of approximately 16.67% upon full utilization of the New General Mandate of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company.

Having taken into account that the exercise of the New General Mandate will (i) enhance the financial capability and flexibility for the Group to finance any possible acquisition plan of the Group in the future; and (ii) raise new equity capital to further improve the overall financial position of the Group, which is in the interests of the Company and the Shareholders, including the Independent Shareholders, as a whole. Therefore, we consider that the shareholding of all the Shareholders to be diluted in proportion to their respective shareholdings upon any utilization of the New General Mandate is fair and reasonable so far as the Shareholders, including the Independent Shareholders, are concerned.

V. Terms of the New General Mandate

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, there was no controlling Shareholder and apart from (i) Mr. Leung Ngai Man, an executive Director and the chairman of the Company and the beneficial owner of Speedy Well Investments Limited, was beneficially interested in 1,978,184,400 Shares (representing approximately 27.94% of the issued share capital of the Company as at the Latest Practicable Date); and (ii) Mr. Ng Kwok Chu, Winfield, an executive Director, was beneficially interested in 472,500 Shares (representing approximately 0.01% of the issued share capital of the Company as at the Latest Practicable Date), none of the Directors (including Ms. Wu Wei Hua, an executive Director) and/or her associates was interested in any issued Shares. Accordingly, Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield, Speedy Well Investments Limited and any Directors who shall hold Shares as at the date of the EGM and their respective associates are required to abstain from voting in favour of the resolution at the EGM, and such resolution shall be voted on by way of poll.

LETTER FROM MENLO

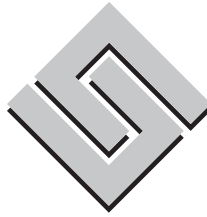
Independent Shareholders should note that the New General Mandate will be in force until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting is required by the articles of association of the Company or the applicable laws of Hong Kong to be held; or (iii) the revocation or variation of the authority given under the relevant resolution to approve the New General Mandate by ordinary resolution of the Independent Shareholders in the general meeting of the Company. We are of the view that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we are of the view that the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of the granting of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New General Mandate.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Executive Director

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Metal Resources Holdings Limited (“**Company**”) will be convened at Unit 1006, 10th Floor, Tower One Lippo Centre, 89 Queensway, Hong Kong on Friday, 12 November 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution (with or without modifications):

“THAT:

- (a) subject to paragraph (c) below, pursuant to the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with the unissued shares of HK\$0.001 each (each, a “**Share**”) in the capital of the Company and to make or grant offers, agreements and options (including any warrants, bonds and debentures convertible into Shares) which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including any warrants, bonds and debentures convertible into Shares) which might require the exercise of such powers during or after the end of the Relevant Period;

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- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under all share option schemes of the Company adopted from time to time in accordance with the GEM Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company (“**Shareholders**”) in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares whose names appear on the Company’s register of Shareholders on a fixed record date in proportion to their then holdings of Shares as at that date (subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong); and

NOTICE OF EGM

- (e) the general mandate granted to the Directors to exercise power of the Company to allot, issue and deal in Shares at the annual general meeting of the Company held on 20 April 2010 be and is hereby revoked (without prejudice to the valid exercise of such general mandate, if any, prior to the passing of this resolution).”

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

Hong Kong, 26 October 2010

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Head office and principal place of
business in Hong Kong:***

Unit 1006, 10th Floor
Tower One Lippo Centre
89 Queensway
Hong Kong

Notes:

- (1) Any Shareholder entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or, if he is the holder of two or more Shares, more than one proxy to attend and vote on his behalf in accordance with the articles of association of the Company. A proxy need not be a Shareholder.
- (2) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time for holding the above meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of Shareholders in respect of the joint holding.