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CHINA METAL RESOURCES UTILIZATION LIMITED

中國金屬資源利用有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1636)

PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATE

The Directors are pleased to announce that, on 13 April 2018, the Company, the Subscriber and the Guarantor entered into the Subscription Agreement, pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for 75,980,000 Subscription Shares at a Subscription Price of HK\$4.80 per Subscription Share, and the Guarantor has agreed to guarantee the due and punctual performance by the Subscriber of all of the Subscriber's obligations under the Subscription Agreement.

The 75,980,000 Subscription Shares to be allotted and issued to the Subscriber represent (i) approximately 3.08% of the existing issued share capital of the Company of 2,466,900,969 Shares as at the date of this announcement; and (ii) approximately 2.99% of the Company's issued share capital of 2,542,880,969 Shares as enlarged by the issue and allotment of the Subscription Shares.

The Subscription Price of HK\$4.80 was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares. The Subscription Price represents (i) a discount of approximately 4.95% to the closing price of HK\$5.05 per Share as quoted on the Stock Exchange on 13 April 2018 being the date of the Subscription Agreement; (ii) a discount of approximately 5.55% to the average closing price of HK\$5.082 per Share as quoted on the Stock Exchange for five consecutive trading days immediately prior to the date of the Subscription Agreement; and (iii) a discount of approximately 6.08% to the average closing price of HK\$5.111 per Share as quoted on the Stock Exchange for 10 consecutive trading days immediately prior to the date of the Subscription Agreement.

The gross proceeds in cash from the Subscription are approximately HK\$364,704,000 (equivalent to RMB294,700,000). The net proceeds from the Subscription, after deduction of related expenses, are estimated to be approximately HK\$364,704,000. The net proceeds from the Subscription will be approximately HK\$4.80 per Subscription Share. The net proceeds from the Subscription are intended to be used for the Group to reduce debt to equity ratio, to pay for consideration of any future acquisition opportunities to be identified by the Group and to purchase raw materials and copper products for the ordinary course of business.

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM. As the Subscription Shares will be issued under the General Mandate, the allotment and issue of the Subscription Shares is not subject to Shareholders' approval.

Shareholders and potential investors should note that the Completion is subject to the fulfilment or waiver of conditions precedent under the Subscription Agreement and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

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THE SUBSCRIPTION AGREEMENT

Date

13 April 2018

Parties

- (a) The Company, as issuer;
- (b) The Subscriber, as subscriber; and
- (c) The Guarantor, as guarantor.

The Guarantor entered into the Subscription Agreement as a guarantor to guarantee the due and punctual performance by the Subscriber of all of the Subscriber's obligations under the Subscription Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Subscriber and the Guarantor are Independent Third Parties. It is not expected that the Subscriber will become a substantial shareholder of the Company immediately upon Completion.

Number of Subscription Shares

The 75,980,000 Subscription Shares to be allotted and issued to the Subscriber represent (i) approximately 3.08% of the existing issued share capital of the Company of 2,466,900,969 Shares as at the date of this announcement; and (ii) approximately 2.99% of the Company's issued share capital of 2,542,880,969 Shares as enlarged by the issue and allotment of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the Subscription Agreement and Completion save for the issue of such Subscription Shares). The nominal value of the Subscription Shares is HK\$7,598,000.

Subscription Price

The Subscription Price of HK\$4.80 per Subscription Share represents:

- (i) a discount of approximately 4.95% to the closing price of HK\$5.05 per Share as quoted on the Stock Exchange on 13 April 2018, being the date of the Subscription Agreement;
- (ii) a discount of approximately 5.55% to the average closing price of HK\$5.082 per Share as quoted on the Stock Exchange for five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 6.08% to the average closing price of HK\$5.111 per Share as quoted on the Stock Exchange for 10 consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The consideration for the Subscription is approximately HK\$364,704,000 (equivalent to RMB294,700,000) and shall be payable by the Subscriber upon Completion in cash. The net proceeds from the Subscription, after deduction of related expenses, are estimated to be approximately HK\$364,704,000. The net Subscription Price (net of expenses) is approximately HK\$4.80 per Subscription Share.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will be fully paid and rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of such Subscription Shares.

Conditions Precedent

Completion shall be subject to the following conditions being satisfied:

- (1) The listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before Completion (save for any temporary suspension in trading pending the release of an announcement in connection with the Subscription Agreement), the Stock Exchange or the Securities and Futures Commission not having expressed that it will raise any objection against the listing status of the Shares due to the transactions contemplated under the Subscription Agreement or any reasons in connection with such transactions;
- (2) the Stock Exchange granting the approval for the listing of the Subscription Shares, and such approval not having been revoked before Completion;
- (3) no government departments or regulatory institutions in any jurisdiction having proposed, formulated or adopted any order, decree, regulation or decision imposing restriction or prohibition on the transactions contemplated under the Subscription Agreement or causing them to be invalid;
- (4) no third party having proposed restriction or prohibition on the transactions contemplated under the Subscription Agreement to any court or government organisations in any jurisdiction, sought to declare such transactions unlawful or commenced any litigation or there being any pending legal procedures seeking for compensation of substantial damages in connection with these transactions, nor threatened to bring such litigation or legal procedures;
- (5) The Company having obtained all required consent and approval for the transactions contemplated under the Subscription Agreement, and met and fully complied with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant regulations in the Cayman Islands and Hong Kong), such consents and approvals remaining valid until the date of Completion and the relevant authorities not having implemented any rules or regulations to prohibit or severely delay the fulfilment and Completion of the Subscription Agreement; and
- (6) the Subscriber and the Guarantor having obtained all required consent and approval for the transactions contemplated under the Subscription Agreement, and having met and fully complied with the relevant laws and regulations, such consents and approvals remaining valid until the date of Completion and the relevant authorities not having implemented any rules or regulations to prohibit or severely delay the fulfilment and Completion of the Subscription Agreement.

Save and except for conditions (1), (2) and (6) above, the Subscriber has the right to waive the conditions above in part or in full. The Company has the right to waive the condition (6) in part or in full.

If the above conditions have not been fulfilled before 31 October 2018 (or such other date the parties agree in writing), the Subscription Agreement will be automatically terminated and lapse, and the obligations of the parties under the Subscription Agreement will be released, except for certain specified provisions and legal responsibilities arising from the antecedent breach.

Completion

Completion shall take place no later than three Business Days following the fulfillment of the conditions above or such other date as agreed by the Company and the Subscriber.

Lock-up provision

The Subscriber will not, at any time during the twenty-four-month period following the Completion and without obtaining the Company's prior written approval, directly or indirectly, sell, transfer or otherwise deal in or create any incumbrance over all or part of the Subscription Shares.

GENERAL MANDATE

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM held on 6 June 2017, under which the Directors are authorised to issue Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM, which is equivalent to a maximum issue of additional 478,565,379 Shares.

Since the grant of the General Mandate and up to the date of this announcement, the General Mandate has been utilised as to 402,581,896 Shares and the Directors are allowed to issue up to a remaining 75,983,483 new Shares under the General Mandate. As the issue of the Subscription Shares utilizes the General Mandate, no further approval from Shareholders is needed.

APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

REASONS FOR THE ISSUE OF THE SUBSCRIPTION SHARES AND USE OF PROCEEDS

The Subscription would allow immediate cash inflow into the Group without any interest burden. The Directors consider that the terms of the Subscription Agreement including the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company intends to use the net proceed of approximately HK\$364,704,000 (equivalent to RMB294,700,000) in the following purposes:

- (i) approximately HK\$150,000,000 for reducing the Group's debt to equity ratio;
- (ii) approximately HK\$200,000,000 for paying consideration of any future acquisition opportunities to be identified by the Group; and
- (iii) the remaining amount for purchasing raw materials and copper products in order to increase the Group's production and trading business.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,466,900,969 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming that there will be no change in the issued share capital and shareholding structure of the Company between the date of the Subscription Agreement and Completion) are as follows:

	As at the date of this announcement		Immediately after Completion	
	<i>Number of shares</i>	<i>Approximate percentage of the issued share capital of the Company (%)</i>	<i>Number of shares</i>	<i>Approximate percentage of the issued share capital of the Company (%)</i>
Shareholders				
Mr. Yu Jiangqiu and Epoch Keen Limited (<i>note 1</i>)	1,037,354,400	42.05	1,037,354,400	40.79
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (<i>note 2</i>)	310,317,000	12.58	310,317,000	12.20
Mr. Kwong Wai Sun Wilson (<i>note 3</i>)	3,272,600	0.13	3,272,600	0.13
Public Shareholders				
Hong Kong Zhongliang Recycling Mining Investments Limited	135,000,000	5.47	135,000,000	5.31
Subscriber	—	—	75,980,000	2.99
Other public shareholders	980,956,969	39.77	980,956,969	38.58
Total	<u>2,466,900,969</u>	<u>100.00</u>	<u>2,542,880,969</u>	<u>100.00</u>

Notes:

1. The shares were held by Mr. Yu Jianqiu, Chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jianqiu. On 8 December 2017, Mr. Yu Jianqiu and Epoch Keen Limited have entered into certain sale and purchase agreements for the disposal of their Shares. As at the date of this announcement, the disposal has not yet completed. For further details, please refer to the announcement of the Company dated 8 December 2017.
2. First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, a Director.
3. Mr. Kwong Wai Sun Wilson is an executive Director.

INFORMATION ON THE PARTIES

The Group is a fast-growing manufacturer of recycled copper products (also known as copper semis), communication cables and power transmission and distribution cables in Southwest China. The Group processes recycled scrap copper and, to a lesser extent, electrolytic copper, to manufacture a range of copper products, including copper wire rods, copper wires, copper plates, copper granules, communication cables and power transmission and distribution cables. Since 2015, the Group has also extended its product range to aluminium products and has entered into trading activities in relation to electrolytic copper.

The Subscriber is a company incorporated in Hong Kong, and is a direct wholly-owned subsidiary of the Guarantor. The Subscriber's principal activity is investment holding. The Guarantor is a wholly state-owned enterprise incorporated in the PRC, and its principal activities include property management services; investments in infrastructure facilities, key projects construction, advanced technology, energy, telecommunication, property development, hospitality and tourism projects; assets management and other corporate management services; sales of non-ferrous metals, copper products, aluminum products and power cables; transportation of goods, packaging services, cargo handling, storage services; logistics information consulting services.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
31 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$600,000,000	Approximately HK\$582,000,000	To purchase raw material for the Company's expansion of production.	approximately HK\$582,000,000 was used for purchasing raw materials and copper products in the ordinary course of the Group's business.
1 June 2017	Issuance of new ordinary shares of 74,074,074 shares	Approximately HK\$194,000,000	(i) approximately HK\$85,000,000 for purchasing additional raw materials in order to increase the level of the Group's production in the second half of the financial year; (ii) approximately HK\$85,000,000 for purchasing additional copper products in order to enlarge the scale of the Group's trading business; and (iii) approximately HK\$24,000,000 for repaying part of the Group's trade payable.	(i) approximately HK\$169,000,000 was used for purchasing raw materials and copper products in the ordinary course of the Group's business; and (ii) approximately HK\$25,000,000 was used for repaying the Group's trade payable.

Save as to the above, the Company has not carried out any capital fund raising activities in the 12 months period immediately before the date of this announcement.

Shareholders and potential investors should note that the Completion is subject to the fulfilment or waiver of conditions precedent under the Subscription Agreement and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 6 June 2017;
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturdays) on which banks are open for business in Hong Kong;

“Company”	China Metal Resources Utilization Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1636);
“Completion”	completion of the Subscription;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“Guarantor”	Mianyang Fule Investment Co., Ltd.* (綿陽富樂投資有限公司), a company incorporated in the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party”	person(s) who is/are independent of the Company and its connected persons and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, excluding (except where the context requires) Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Hongkong Fule International Investment Limited (香港富樂國際投資有限公司), a company incorporated in Hong Kong;

“Subscription”	the subscription by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 13 April 2018 entered into among the Company, the Subscriber and the Guarantor in relation to the Subscription;
“Subscription Price”	HK\$4.80 per Subscription Share;
“Subscription Share(s)”	New Share(s) to be allotted and issued to the Subscriber pursuant to the Subscription Agreement, comprising a total of 75,980,000 new Shares to be allotted and issued to the Subscriber; and
“%”	per cent.

By order of the Board
China Metal Resources Utilization Limited
Mr. YU Jianqiu
Chairman

Hong Kong, 13 April 2018

As at the date of this announcement, the Board comprises of four executive directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Huang Weiping and Ms. Zhu Yufen; and three independent non-executive directors, namely, Mr. Lee Ting Bun Denny, Mr. Pan Liansheng and Ms. Ren Ruxian.

* *For identification purposes only*