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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)

VOLUNTARY ANNOUNCEMENT LETTER OF INTENT IN RELATION TO A POSSIBLE ACQUISITION OF 30% EQUITY INTEREST OF SICHUAN BAOHE FUSHAN

This is a voluntary announcement made by the Company.

The Board is pleased to announce that on 19 December 2014, the Company, Baohe Development and Xijiulong entered into a non-legally binding LOI in relation to the possible acquisition by the Company of 15.3% and 14.7% of the equity interest of the Target Company from Baohe Development and Xijiulong, respectively. The Target Company is principally engaged in the operation and the development of an industrial park in the PRC, which currently accommodates Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司), Sichuan Baohe Xinshiji Cable Co., Ltd. (四川保和新世紀線纜有限公司) and Mianyang Baohe Taiyue Communication Cable Co., Ltd. (綿陽保和泰越通信線纜有限公司), all of which are wholly-owned subsidiaries of the Company, and other metal recycling related companies. The Target Company is also licensed to operate in the collection, processing and sale of scrap materials.

The Possible Acquisition, if materialised, is expected to constitute a connected transaction of the Company under the Listing Rules which requires independent shareholders' approval. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

As at the date of this announcement, Epoch Keen, our controlling shareholder and a company wholly-owned by Mr. Yu Jianqiu, our Chairman and executive Director, is interested in 958,574,400 shares, representing approximately 45.53% of the issued share capital of the Company. Xijiulong is 100% controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, both of whom are daughters of Mr. Yu Jianqiu, and is presumed to be a party acting in concert with Epoch Keen. If the Possible Acquisition is materialised, the voting rights held by Epoch Keen and Xijiulong, being a party presumed to be acting in concert with Epoch Keen, are expected to increase by more than 2%. In this regard, Epoch Keen and Xijiulong will apply for a whitewash waiver from compliance of mandatory general offer obligation under Rule 26 of the Hong Kong Takeovers Code and it is expected that the obtaining of such whitewash waiver from the Executive will be a condition precedent to completion of the acquisition by the Company from Baohe Development and Xijiulong of the equity interest of the Target Company. In the case where the whitewash waiver is not granted, Xijiulong does not reserve its right to waive such condition and the Possible Acquisition will not proceed.

The Board wishes to emphasize that the LOI is not legally binding and the Possible Acquisition may or may not proceed. Proceeding with the Possible Acquisition will be subject to, amongst others, negotiation and signing of definitive agreement and the Company being satisfied with the findings of due diligence. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

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The Company is expected to proceed with, amongst others, legal, financial and business due diligence over the Target Company.

The Consideration is expected to be 30% of the business value of the Target Company based on a valuation report to be finalised by an independent valuer. The Consideration is estimated to be within the range from RMB105,000,000 to RMB150,000,000.

The Consideration is expected to be satisfied, in whole or in part, by an allotment and issue of new Shares by the Company at a proposed issue price of HK\$1.3 per Share. If the parties agree to partially settle the Consideration by issue of new Shares, the remaining balance will be settled by cash.

REASONS FOR THE POSSIBLE ACQUISITION

The Company expects that the Possible Acquisition would provide a platform for potential vertical expansion of the Group into the upstream scrap metal business in the future. The possible acquisition of 30% of the equity interest of the Target Company, which operates an industrial park that accommodates the Company's key subsidiaries, is expected to benefit the Group by securing land in the industrial park for future expansion and diversifying the Group's business to broaden its revenue sources.

GENERAL

Xijiulong is 100% controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, both of whom are daughters and associates of Mr. Yu Jianqiu, our Chairman and executive Director, and is a connected person of the Company. The Possible Acquisition, if materialised, is expected to constitute a connected transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

As at the date of this announcement, Epoch Keen, our controlling shareholder and a company wholly-owned by Mr. Yu Jianqiu, our Chairman and executive Director, is interested in 958,574,400 shares, representing approximately 45.53% of the issued share capital of the Company. Xijiulong is 100% controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, both of whom are daughters of Mr. Yu Jianqiu, and is presumed to be a party acting in concert with Epoch Keen. If the Possible Acquisition is materialised, the voting rights held by Epoch Keen and Xijiulong, being a party presumed to be acting in concert with Epoch Keen, are expected to increase by more than 2%. In this regard, Epoch Keen and Xijiulong will apply for a whitewash waiver from compliance of mandatory general offer obligation under Rule 26 of the Hong Kong Takeovers Code and it is expected that the obtaining of such whitewash waiver from the Executive will be a condition precedent to completion of the acquisition by the Company from Baohe Development and Xijiulong of the equity interest of the Target Company. In the case where the whitewash waiver is not granted, Xijiulong does not reserve its right to waive such condition and the Possible Acquisition will not proceed.

The Board wishes to emphasize that the LOI is not legally binding and the Possible Acquisition may or may not proceed. Proceeding with the Possible Acquisition will be subject to, amongst others, negotiation and signing of definitive agreement and the Company being satisfied with the findings of due diligence. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Baohe Development”	Shanghai Baohe Properties Development Co., Ltd. (上海保和置業發展有限公司), a company incorporated in the PRC with limited liability beneficially owned by Mr. Li Feng, Mr. Wang Zhixuan and Mr. Wang Li as to 10%, 85% and 5%, respectively. Shanghai Baohe Properties Development Co., Ltd. is independent from and not a party acting in concert with Xijiulong and Epoch Keen, and is not a connected person of the Company
“Board”	the board of Directors
“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)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	consideration payable for the Possible Acquisition
“Director(s)”	the director(s) of the Company
“Epoch Keen”	Epoch Keen Limited, a company incorporated in the British Virgin Islands with limited liability, which is the holder of approximately 45.53% of the Shares and is our controlling shareholder. It is wholly-owned by Mr. Yu Jianqiu, our Chairman and executive Director
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Group”	the Company and its subsidiaries
“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
“Hong Kong Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“LOI”	the letter of intent dated 19 December 2014 entered into between the Company and the Vendor in relation to the Possible Acquisition, which is non-legally binding except for clauses relating to, amongst others, exclusivity and confidentiality
“Possible Acquisition”	the possible acquisition of 30% of the equity interest of the Target Company by the Company
“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 People’s Republic of China
“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
“Target Company”	Sichuan Baohe Fushan Resources Recycling Development Co., Ltd. (四川省保和富山再生資源開發有限公司), a company incorporated in the PRC with limited liability
“Xijiulong”	Sichuan Xijiulong Investment Co., Ltd. (四川省西九龍投資有限公司), a company incorporated in the PRC with limited liability and is a connected person of the Company
“%”	per cent.

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

Hong Kong, 19 December 2014

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

All directors of the company issuing this announcement jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.