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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)

SIGNING OF ANNUAL PROCUREMENT AGREEMENTS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

The Directors are pleased to announce that on 15 August 2017, the Company, each of the relevant Suppliers and each of the relevant Subscribers entered into an Annual Procurement Agreement, pursuant to which each of the Suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 15 August 2017 to 14 August 2018, the purchase price of which shall be partly satisfied with cash and partly satisfied with Consideration Shares.

For each ton of copper scrap raw materials supplied by a Supplier, the Company will pay (i) up to RMB3,000 by way of issuance of a maximum number of 1,172 Consideration Shares at an Issue Price of HK\$3 per Consideration Share; and (ii) the remainder of the balance in cash. The arrangements under the Annual Procurement Agreements are expected to encourage such Suppliers to achieve the targeted raw material supply amount with a view to broadening the Group's supplier base to cater for the Group's production needs.

As the targeted amount of supply of copper scrap raw materials from the Suppliers is 56,000 tonnes in aggregate, the maximum number of Consideration Shares that the Company may issue pursuant to the Annual Procurement Agreements is 65,632,000 Shares. The Consideration Shares will be allotted and issued to the Subscribers in one lot on the Allotment Date. Each of the Subscribers is a wholly-owned company of the relevant Supplier.

The maximum total number of 65,632,000 Consideration Shares to be allotted and issued to the Subscribers represent (i) approximately 2.66% 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 2.59% of the Company's issued share capital 2,532,532,969 Shares as enlarged by the issue and allotment of the Consideration Shares.

The Issue Price of HK\$3 was determined after arm's length negotiations between the Company and the Subscribers with reference to the recent trading prices of the Shares. The Issue Price represents (i) no discount or premium to the closing price of HK\$3.000 per Share as quoted on the Stock Exchange on 15 August 2017 being the date of the Annual Procurement Agreements; (ii) a premium of approximately 0.4% to the average closing price of HK\$2.988 per Share as quoted on the Stock Exchange for five consecutive trading days immediately prior to the date of the Annual Procurement Agreements; and (iii) a discount of approximately 0.37% to the average closing price of HK\$3.011 per Share as quoted on the Stock Exchange for 10 consecutive trading days immediately prior to the date of the Annual Procurement Agreements.

The Consideration 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 Consideration Shares will be issued under the General Mandate, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

Shareholders and potential investors should note that the issuance of the Consideration Shares is subject to the fulfilment of conditions under the Annual Procurement Agreements and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

The Directors are pleased to announce that on 15 August 2017, the Company, each of the relevant Suppliers, and each of the relevant Subscribers entered into an Annual Procurement Agreement, pursuant to which each of the Suppliers agreed to supply a targeted amount of copper scrap raw materials to the Group from 15 August 2017 to 14 August 2018 the purchase price of which shall be partly satisfied with cash and partly satisfied with Consideration Shares.

THE ANNUAL PROCUREMENT AGREEMENTS

Date

15 August 2017

Parties

- (a) The Company;
- (b) Each of the relevant Suppliers; and
- (c) Each of the relevant Subscribers.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Suppliers and Subscribers is an Independent Third Party. It is not expected that any of the Suppliers or Subscribers will become a substantial shareholder of the Company immediately upon the allotment and issue of the Consideration Shares.

Term

12 months commencing from 15 August 2017

Obligations of the Suppliers

Pursuant to the Annual Procurement Agreements, each of the Suppliers shall supply a targeted amount of copper scrap raw materials to the Company from 15 August 2017 to 14 August 2018.

The respective annual supply targets for each of the Suppliers are set out below:

Name of the Supplier	Annual supply target (tonnes)
Yang Zaipei	8,000
Hu Lin	8,000
Weng Yiming	20,000
Pu Tao	20,000

Basis of Consideration and payment mechanism

The unit price of the copper scrap raw materials shall be agreed separately for each purchase order with reference to the price quoted on the Shanghai Futures Exchange and quotations for the same material received by the Group from other suppliers on the same day.

For each ton of copper scrap raw materials supplied by a Supplier, the Company will pay (i) up to RMB3,000 by way of issuance of a maximum number of 1,172 Consideration Shares at an Issue Price of HK\$3 per Consideration Share; and (ii) the remainder of the balance in cash.

As the targeted amount of supply of copper scrap raw materials from the Suppliers is 56,000 tonnes in aggregate, the maximum number of Consideration Shares that the Company may issue pursuant to the Annual Procurement Agreements is 65,632,000 Shares. The Consideration Shares will be allotted and issued to the Subscribers in one lot on the Allotment Date.

Number of Consideration Shares

The maximum total number of 65,632,000 Consideration Shares to be allotted and issued to the Subscribers represent approximately 2.66% 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 2.59% of the Company's issued share capital of 2,532,532,969 Shares as enlarged by the issue and allotment of the Consideration Shares (assuming that there will be no change in the issued share capital of the Company between the date of the Annual Procurement Agreements and the Allotment Date save for the issue of such Consideration Shares).

The maximum numbers of Consideration Shares to be issued to each of the Subscribers are set out below:

Name of the Subscriber	Name of the Supplier and ultimate wholly-owned shareholder of the relevant Subscriber	Maximum total number of Consideration Shares to be subscribed
Quick Gold Group Limited	Yang Zaipei	9,376,000
New Silver Group Limited	Hu Lin	9,376,000
Honest Fame Global Limited	Weng Yiming	23,440,000
Gain Big Limited	Pu Tao	23,440,000

Issue Price

The Issue Price of HK\$3 per Consideration Share represents:

- (i) no discount or premium to the closing price of HK\$3.000 per Share as quoted on the Stock Exchange on 15 August 2017 being the date of the Annual Procurement Agreements;
- (ii) a premium of approximately 0.4% to the average closing price of HK\$2.988 per Share as quoted on the Stock Exchange for five consecutive trading days immediately prior to the date of the Annual Procurement Agreements; and
- (iii) a discount of approximately 0.37% to the average closing price of HK\$3.011 per Share as quoted on the Stock Exchange for 10 consecutive trading days immediately prior to the date of the Annual Procurement Agreements.

The Issue Price of HK\$3 was determined after arm's length negotiations between the Company and the Subscribers with reference to the recent trading prices of the Shares. The Directors consider that the terms and conditions of the Annual Procurement Agreements (including the Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate nominal value of the Consideration Shares is HK\$6,563,200.

Ranking of the Consideration Shares

The Consideration 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 Consideration Shares.

Conditions Precedent

The issuance of the Consideration Shares is subject to the Stock Exchange granting the approval for the listing of the Consideration Shares.

INFORMATION OF THE SUBSCRIBERS AND THE SUPPLIERS

The Subscribers are Honest Fame Global Limited, New Silver Group Limited, Gain Big Limited and Quick Gold Group Limited. Each Subscriber is a company incorporated in the British Virgin Islands with limited liability, principally engaged in investment holding.

The respective ultimate beneficial shareholders of Honest Fame Global Limited, New Silver Group Limited, Gain Big Limited and Quick Gold Group Limited are Weng Yiming, Hu Lin, Pu Tao and Yang Zaipei. Each of them is an individual carrying out recycling of waste materials (including copper scrap) business in the PRC.

Except Weng Yiming, each of the Suppliers is a new supplier to the Group. The Directors considered that the granting of the Consideration Shares is beneficial in providing incentive to the Suppliers to achieve their targeted supply amount under the Annual Procurement Agreements, which would help to broaden supplier base to cater for the Group's production needs.

INFORMATION OF THE GROUP

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.

GENERAL MANDATE

The Consideration 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, under which the Directors are authorized 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 200,668,896 Shares and the Directors are allowed to issue up to a remaining 277,896,483 new Shares under the General Mandate. As the Consideration Shares will be issued under the General Mandate, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

APPLICATION FOR LISTING

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

REASONS FOR THE ISSUE OF THE CONSIDERATION SHARES

The issue of the Consideration Shares forms part of the Company's payment for the supply of copper scrap raw materials from the Suppliers. The arrangements under the Annual Procurement Agreements are expected to encourage such Suppliers to achieve the targeted amount to supply raw materials with a view to broadening the Group's supplier base to cater for the Group's production needs.

The Directors consider that the terms of the Annual Procurement Agreements (including the Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE 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 the allotment and issuance of the Consideration Shares (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise) are as follows:

	As at the date of this announcement		Immediately after the Allotment Date assuming the Consideration Shares are issued in full	
	Number of Shares directly or indirectly held	Approximate percentage of the issued share capital of the Company (%)	Number of Shares directly or indirectly held	Approximate percentage of the issued share capital of the Company (%)
Shareholders				
Mr. Yu Jiangqiu and Epoch Keen Limited (<i>note 1</i>)	1,037,354,400	42.05	1,037,354,400	40.96
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (<i>note 2</i>)	310,317,000	12.58	310,317,000	12.25
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	5.33
Subscribers	—	—	65,632,000	2.59
Other public shareholders	<u>980,956,969</u>	<u>39.77</u>	<u>980,956,969</u>	<u>38.74</u>
	<u><u>2,466,900,969</u></u>	<u><u>100.00</u></u>	<u><u>2,532,532,969</u></u>	<u><u>100.00</u></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.
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.

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	HK\$582,000,000	Purchase raw material for the Company's expansion of production	HK\$582,000,000 currently held in bank accounts of the Company
1 June 2017	Issuance of new ordinary shares of 74,074,074 shares	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\$35,000,000 for purchasing raw materials for the Group's production; (ii) approximately HK\$87,000,000 for purchasing copper products for the Group's trading business; (iii) approximately HK\$25,000,000 for repaying part of the Group's trade payable, and (iv) the balance of approximately HK\$47,000,000 is being held in the bank accounts of the Company.
9 April 2017	Issue of convertible bonds in an aggregate principal amount of HK\$250,000,000	HK\$242,500,000	General working capital	(i) approximately HK\$128,500,000 for the redemption of convertible bonds by the Company upon maturity; (ii) approximately HK\$111,000,000 for purchasing raw materials in the ordinary course of business of the Group; and (iii) approximately HK\$3,000,000 for the Group's administration expenses.

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
11 August 2016	Issue of 135,000,000 new shares	HK\$348,300,000	Construction of the Company's new plant for the production of copper plates and copper wire rods in Huili county, Sichuan, PRC	As intended

Shareholders and potential investors should note that the issuance of Consideration Shares is subject to the fulfilment or waiver of conditions under the Annual Procurement Agreements 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;
“Allotment Date”	a day within 10 business days from 14 August 2018;
“Annual Procurement Agreement(s)”	each annual procurement agreement entered into by the Company and the relevant Supplier and Subscriber in relation to the supply of copper scrap raw materials, pursuant to which such Supplier has agreed to supply a targeted amount of copper scrap raw materials to the Group from 15 August 2017 to 14 August 2018;
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules;
“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 Shares”	new Share(s) to be allotted and issued to the Subscribers pursuant to the Annual Procurement Agreements, comprising a maximum of 65,632,000 new Shares to be allotted and issued to the Subscribers;
“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;
“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(ies)”	person(s) who is/are not connected persons of the Company;
“Issue Price”	an issue price of HK\$3 per Shares;
“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;
“Subscribers”	Quick Gold Group Limited, New Silver Group Limited, Honest Fame Global Limited, and Gain Big Limited;
“Suppliers”	Yang Zaipei, Hu Lin, Weng Yiming, and Pu Tao;

“%”

per cent.

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

Hong Kong, 15 August 2017

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.