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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 June 2018, 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 16 June 2018 to 15 June 2019, 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 734 Consideration Shares at an Issue Price of HK\$5 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 and to strengthen the Group's operating liquidity.

As the targeted amount of supply of copper scrap raw materials from the Suppliers is 160,000 tonnes in aggregate, the maximum number of Consideration Shares that the Company may issue pursuant to the Annual Procurement Agreements is 117,440,000 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 117,440,000 Consideration Shares to be allotted and issued to the Subscribers represent (i) approximately 4.69% of the existing issued share capital of the Company of 2,502,284,341 Shares as at the date of this announcement; and (ii) approximately 4.48% of the Company's issued share capital 2,619,724,341 Shares as enlarged by the issue and allotment of the Consideration Shares.

The Issue Price of HK\$5 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) a discount of approximately 0.2% to the closing price of HK\$5.01 per Share as quoted on the Stock Exchange on 15 June 2018 being the date of the Annual Procurement Agreements; (ii) a premium of approximately 1.6% to the average closing price of HK\$4.92 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 premium of approximately 1.4% to the average closing price of HK\$4.93 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 June 2018, 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 16 June 2018 to 15 June 2019 the purchase price of which shall be partly satisfied with cash and partly satisfied with Consideration Shares.

THE ANNUAL PROCUREMENT AGREEMENTS

Date

15 June 2018

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 16 June 2018

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 16 June 2018 to 15 June 2019.

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

Name of the Supplier	Annual supply target (tonnes)
Wu Jun	5,000
Lu Yanliang	9,000
Zhou Yajun	9,000
Tang Zhihua	9,000
Yang Sisi	25,000
Liu Liu	20,000
Shao Yingdong	5,000
Ge Jinbiao	3,000
Yang Shihu	3,000
Zhang Guoyu	3,000
Fu Jufang	3,000
Yi Bing	16,000
Chen Guanglun	25,000
Zheng Zuren	25,000

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 734 Consideration Shares at an Issue Price of HK\$5 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 160,000 tonnes in aggregate, the maximum number of Consideration Shares that the Company may issue pursuant to the Annual Procurement Agreements is 117,440,000 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 117,440,000 Consideration Shares to be allotted and issued to the Subscribers represent approximately 4.69% of the existing issued share capital of the Company of 2,502,284,341 Shares as at the date of this announcement; and (ii) approximately 4.48% of the Company's issued share capital of 2,619,724,341 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
Abundant Peace Limited	Wu Jun	3,670,000
Ample Prosperous Limited	Lu Yanliang	6,606,000
Blissful Treasure Holdings Limited	Zhou Yajun	6,606,000
Eminent Bloom Limited	Tang Zhihua	6,606,000
Frontier Global Enterprises Limited	Yang Sisi	18,350,000
Golden Elite Global Limited	Liu Liu	14,680,000
Harmony Success Global Limited	Shao Yingdong	3,670,000
Silver Kirin Holdings Limited	Ge Jinbiao	2,202,000
Smooth Profit Holdings Limited	Yang Shihu	2,202,000
Summit Year Holdings Limited	Zhang Guoyu	2,202,000
Treasure Soar Global Limited	Fu Jufang	2,202,000
Best Discovery Holdings Limited	Yi Bing	11,744,000
Ming Yuan Ventures Limited	Chen Guanglun	18,350,000
Goal Run Investments Limited	Zheng Zuren	18,350,000

Issue Price

The Issue Price of HK\$5 per Consideration Share represents:

- (i) a discount of approximately 0.2% to the closing price of HK\$5.01 per Share as quoted on the Stock Exchange on 15 June 2018 being the date of the Annual Procurement Agreements;
- (ii) a premium of approximately 1.6% to the average closing price of HK\$4.92 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 premium of approximately 1.4% to the average closing price of HK\$4.93 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\$5 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\$11,744,000.

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 Abundant Peace Limited, Ample Prosperous Limited, Blissful Treasure Holdings Limited, Eminent Bloom Limited, Frontier Global Enterprises Limited, Golden Elite Global Limited, Harmony Success Global Limited, Silver Kirin Holdings Limited, Smooth Profit Holdings Limited, Summit Year Holdings Limited, Treasure Soar Global Limited, Best Discovery Holdings Limited, Ming Yuan Ventures Limited and Goal Run Investments 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 Abundant Peace Limited, Ample Prosperous Limited, Blissful Treasure Holdings Limited, Eminent Bloom Limited, Frontier Global Enterprises Limited, Golden Elite Global Limited, Harmony Success Global Limited, Silver Kirin Holdings Limited, Smooth Profit Holdings Limited, Summit Year Holdings Limited, Treasure Soar Global Limited, Best Discovery Holdings Limited, Ming Yuan Ventures Limited and Goal Run Investments Limited are Wu Jun, Lu Yanliang, Zhou Yajun, Tang Zhihua, Yang Sisi, Liu Liu, Shao Yingdong, Ge Jinbiao, Yang Shihu, Zhang Guoyu, Fu Jufang, Yi Bing, Chen Guanglun and Zheng Zuren. Each of them is an individual carrying out recycling of waste materials (including copper scrap) business in the PRC.

None of the Suppliers is a new supplier to the Group. Wu Jun, Lu Yanliang, Yang Sisi, Liu Liu, Fu Jufang, Yi Bing, Chen Guanglun and Zheng Zuren were granted 400,000, 400,000, 400,000, 400,000, 130,000, 130,000, 300,000 and 300,000 share options in the Company respectively on 12 December 2017. For further details, please refer to the Company's announcement dated 12 December 2017. 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 or upon the exercise of the relevant share options. 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 and to strengthen the Group's operating liquidity.

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 500,456,868 Shares. Since the grant of the General Mandate and up to the date of this announcement, the General Mandate has not been utilised and the Directors are allowed to issue up to a remaining 500,456,868 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 and to strengthen the Group's operating liquidity.

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 2,502,284,341 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	41.45	1,037,354,400	39.60
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (<i>note 2</i>)	310,317,000	12.40	310,317,000	11.85
Mr. Kwong Wai Sun Wilson (<i>note 3</i>)	3,272,600	0.13	3,272,600	0.12
Public Shareholders				
Hong Kong Zhongliang Recycling Mining Investments Limited (<i>note 4</i>)	135,000,000	5.40	135,000,000	5.15
Subscribers	—	—	117,440,000	4.48
Other public shareholders	<u>1,016,340,341</u>	<u>40.62</u>	<u>1,016,340,341</u>	<u>38.80</u>
	<u><u>2,502,284,341</u></u>	<u><u>100.00</u></u>	<u><u>2,619,724,341</u></u>	<u><u>100.00</u></u>

Notes:

- 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.
- First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, a Director.
- Mr. Kwong Wai Sun Wilson is an executive Director.
- Hong Kong Zhongliang Recycling Mining Investments Limited is wholly-owned by 涼山州礦冶投資控股有限責任公司, 74.00% equity interest of 涼山州礦冶投資控股有限責任公司 is held by 涼山州國有投資發展有限責任公司; 62.00% equity interest of 涼山州國有投資發展有限責任公司 is held by 涼山彝族自治州國有資產監督管理委員會. Accordingly, each of 涼山州礦冶投資控股有限責任公司, 涼山州國有投資發展有限責任公司, 涼山彝族自治州國有資產監督管理委員會 is deemed to be interested in the shares of the Company held by Hong Kong Zhongliang Recycling Mining Investments Limited.

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
13 and 23 April 2018	Issue of new ordinary shares of 75,980,000 Shares (the “Subscription”)	estimated to be HK\$364,704,000	(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, but if no such opportunities are identified, for purchasing raw materials and copper products in order to increase the Group’s production and trading business; and (iii) the remaining amount for purchasing raw materials and copper products in order to increase the Group’s production and trading business.	Not applicable given the Subscription has not been completed as at the date of this announcement.
31 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$600,000,000	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

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 2018;
“Allotment Date”	a day within 10 business days from 15 June 2019;
“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 16 June 2018 to 15 June 2019;

“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 117,440,000 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\$5 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”	Abundant Peace Limited, Ample Prosperous Limited, Blissful Treasure Holdings Limited, Eminent Bloom Limited, Frontier Global Enterprises Limited, Golden Elite Global Limited, Harmony Success Global Limited, Silver Kirin Holdings Limited, Smooth Profit Holdings Limited, Summit Year Holdings Limited, Treasure Soar Global Limited, Best Discovery Holdings Limited, Ming Yuan Ventures Limited and Goal Run Investments Limited;
“Suppliers”	Wu Jun, Lu Yanliang, Zhou Yajun, Tang Zhihua, Yang Sisi, Liu Liu, Shao Yingdong, Ge Jinbiao, Yang Shihu, Zhang Guoyu, Fu Jufong, Yi Bing, Chen Guanglun and Zheng Zuren;
“%”	per cent.

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

Hong Kong, 15 June 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.