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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)

CONNECTED TRANSACTION INVOLVING ACQUISITION OF 30% EQUITY INTEREST IN SICHUAN BAOHE FUSHAN RESOURCES RECYCLING DEVELOPMENT CO., LTD. AND DEEMED DISPOSAL

The Board is pleased to announce that after further negotiations with the Vendors, on 22 April 2015, the Company has agreed to enter into the Agreements to acquire a 30% interest in the Target Company from the Vendors.

Pursuant to the Agreements, Xijiulong, a company wholly-owned by the Xijiulong Vendors, and Baohe Development, a company wholly-owned by the Baohe Development Vendors, will transfer 49% and 51%, respectively, of the equity interest of the Target Company to HK Fujian Investments, a company wholly-owned by Deda, which is a wholly-owned subsidiary of the Company.

Upon the above Equity Transfer taking effect, the Company will (1) procure HK Fujian Investments to pay an aggregate amount of RMB113.7 million to Xijiulong and Baohe Development, (2) procure Deda, a wholly-owned subsidiary of the Company, to issue to the Xijiulong Vendors and the Baohe Development Vendors (or their respective designated entities), who will subscribe for, 343 and 357 new shares, respectively, representing 34.3% and 35.7% of its issued share capital after the issue of Deda New Shares, at a nominal value of USD1.0 per share and (3) pay an aggregate amount of USD3,477,000 (approximately equivalent to RMB21.3 million) to the Vendors.

Upon Completion, Deda will cease to be a subsidiary of the Company. The Company will legally and beneficially hold 30% of the entire issued shares of Deda, which will in turn hold the entire issued shares in HK Fujian Investments and the Target Company.

The issue of the Deda New Shares will result in a dilution of the shareholding interest of our Group in Deda. Under the Listing Rules, such dilution is regarded as a deemed disposal by the Company of the shareholding interest in Deda.

Ms. Yu Yanyan and Ms. Yu Jiajia, being the Xijiulong Vendors, are daughters and associates of Mr. Yu Jianqiu, our chairman, director and controlling shareholder, and are therefore connected persons of the Company. Under Chapter 14A of the Listing Rules, the Acquisition and Deemed Disposal constitute connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition and the Deemed Disposal is more than 0.1% but less than 5%, the Acquisition and the Deemed Disposal are subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the voluntary announcement of the Company dated 19 December 2014 on the letter of intent in relation to a possible acquisition of 30% equity interest of the Target Company.

THE AGREEMENTS

The Board is pleased to announce that after further negotiations with the Vendors, on 22 April 2015, the Company has agreed to enter into the Agreements to acquire a 30% interest in the Target Company from the Vendors.

Details of the Agreements are set out below:

Date : 22 April 2015

Parties

Vendors : Xijiulong Vendors

Xijiulong, an entity held by the Xijiulong Vendors

Baohe Development Vendors

Baohe Development, an entity held by the Baohe Development Vendors

Purchaser : Company

HK Fujian Investments, an entity wholly-owned by the Company

Acquisition and Deemed Disposal

Pursuant to the Agreements, Xijiulong, a company wholly-owned by the Xijiulong Vendors, and Baohe Development, a company wholly-owned by the Baohe Development Vendors, will transfer 49% and 51%, respectively, of the equity interest of the Target Company to HK Fujian Investments, a company wholly-owned by Deda, which is a wholly-owned subsidiary of the Company.

Upon the above Equity Transfer taking effect, the Company will procure Deda a wholly-owned subsidiary of the Company to issue to the Xijiulong Vendors and the Baohe Development Vendors (or their respective designated entities), who will subscribe for, 343 and 357 new shares, respectively, representing 34.3% and 35.7% of its issued share capital after the issue of Deda New Shares, at a nominal value of USD1.0 per share.

Upon Completion, Deda will cease to be a subsidiary of the Company. The Company will legally and beneficially hold 30% of the entire issued shares of Deda, which will in turn hold the entire issued shares in HK Fujian Investments and the Target Company.

Consideration

The total consideration for the Acquisition was approximately RMB135 million. Pursuant to the Agreements, the consideration is payable in cash to the Vendors in two stages:

1. Within three months of the completion of the registration for business licence after the Equity Transfer, the Company will procure HK Fujian Investments to pay an amount of RMB113.7 million in cash to Xijiulong and Baohe Development.
2. Upon the completion of the Equity Transfer, the Company will pay the remaining amount of USD3,477,000 (approximately equivalent to RMB21.3 million) in cash to the Vendors.

Basis of determination of consideration

The consideration for the Acquisition was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms with reference to the valuation of RMB460 million of the Target Company as at 30 September 2014 by China Alliance Appraisal Co., Ltd., a qualified independent third party valuer in the PRC, based on the discounted cashflow method.

Conditions Precedent

The completion of the Equity Transfer is conditional upon the fulfilment of the following conditions:

1. The transfer of equity interest of the Target Company to HK Fujian Investments, the relevant agreement and foreign registration document and other related legal documents have been approved by the relevant authority and necessary approval or certificate has been obtained;
2. There being no material adverse change to the financial condition and business operation of the Target Company; and
3. All representation, warranties and undertakings remains true, accurate and complete.

Completion of the Agreements is conditional upon the fulfilment of the following conditions:

1. The completion of the Equity Transfer in accordance with the terms of the Agreements;

2. All necessary consent and approval being obtained in relation to the execution by the Company and the performance of the obligations by the Company and Deda under the Agreements, including but not limited to the consent and approval by the directors and shareholders (if necessary) and all necessary approval by relevant government authorities and regulatory authorities in all relevant jurisdictions (including in the PRC, Hong Kong and the British Virgin Islands);
3. All representations and warranties remain true, accurate and complete as at the date of the Agreements and Completion;
4. The Agreements being duly executed and enforceable and remains valid and not terminated;
5. No order, judgment, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority to restrict or prohibit the transactions contemplated; and
6. No proceedings having been initiated or threatened by third parties with any judicial or governmental authority in any jurisdiction to restrict or prohibit the transactions contemplated, declare the transactions contemplated illegal or seek for a remedy of a material nature.

Save for conditions (1) and (2), the parties may agree to waive any conditions in writing any time prior to the Longstop Date. In the event any of the conditions are not fulfilled by Longstop Date, the Agreements shall be terminated and of no effect on the parties thereto.

Completion

Completion shall take place on the fifth Business Day following the satisfaction (or waiver) of the conditions set out above in “Conditions precedent” or such other date as agreed by the Company and the Vendors in writing.

Other provision

The Vendors shall provide an indemnity to the Company on any tax liability in relation to the transaction contemplated on a dollar-to-dollar basis.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Company expects that the Acquisition would provide a platform for potential vertical expansion of the Group into the upstream scrap metal business in the future. The acquisition of the Target Company, which operates the 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.

The Directors (including the independent non-executive Directors and except Mr. Yu Jianqiu, who have abstained from voting on the Board resolution) consider that the terms of the Agreements are on normal commercial terms, are fair and reasonable and the entering into of the Agreements is in the ordinary and usual course of business of the Company and in the interest of the Company and its shareholders as a whole.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in the operation and the development of Baohe Fushan Recycling Resources Industrial Park, an industrial park in Youxian Economic Development Zone, Mianyang City, Sichuan Province, the PRC, which currently accommodates Mianyang Tongxin Copper Co., Ltd., Sichuan Baohe Xinshiji Cable Co., Ltd. and Mianyang Baohe Taiyue Communication Cable Co., Ltd., wholly-owned subsidiaries of the Company, and other metal recycling related companies. The industrial park was listed as one of the fourth phase of “Model Urban Mining Center” designated by China’s National Development and Reform Commission in 2013. The Target Company is also licensed to operate in the collection, processing and sale of scrap materials.

According to an agreement signed between the Target Company and the Government of Youxian district, Mianyang City, Sichuan Province (“**Youxian Government**”), the Youxian Government would set aside 4,900 mu of land (approximately 3,263,400 square meters) to the Target Company for development and the Target Company is authorized to receive land infrastructure development fees from the enterprises who invest in the industrial park. As at the date of this announcement, the Target Company has completed development and received land infrastructure development fees for an aggregate area of 851 mu (approximately 566,766 square meters). In addition, it is expected that the Youxian Government will provide certain government grants/subsidies to the Target Company.

Based on the unaudited management accounts of the Target Company, the net asset value of the Target Company as of 31 December 2014 amounted to approximately RMB120.3 million. Based on valuation conducted by China Alliance Appraisal Co., Ltd., a qualified independent third party valuer in the PRC, the economic value of the entire equity interest in the Target Company is approximately RMB460 million as at 30 September 2014 based on the discounted cashflow method.

Set out below is the audited financial information based on PRC Generally Accepted Accounting Principles for the year ended 31 December 2013 and the unaudited financial information for the year ended 31 December 2014 of the Target Company:

	For the year ended 31 December 2013 (audited) (RMB’000)	For the year ended 31 December 2014 (unaudited) (RMB’000)
Net profit before taxation	3,117	82
Net profit/(net loss) after taxation	3,034	(1)

The Target Company was established by the Xijiulong Vendors and the Baohe Development Vendors on 15 April 2011 with a registered and fully paid capital of RMB100 million.

INFORMATION OF DEDA

Deda is a company incorporated under the laws of the British Virgin Islands and an investment holding company wholly and beneficially owned by the Company. It does not have any operations other than investment holdings.

Based on the unaudited management accounts of Deda, Deda had a negative net asset value as of 31 December 2014 amounting to RMB5,700.

Set out below is the unaudited financial information of Deda based on its management accounts for the year ended 31 December 2014:

	For the year ended 31 December 2014 (unaudited) (RMB)
Net (loss) before taxation	(5,700)
Net (loss) after taxation	(5,700)

As Deda was incorporated on 8 October 2014, no financial information for the year ended 31 December 2013 is available. No material gain or loss on the Deemed Disposal will be recognised in the Company's consolidated income statement.

INFORMATION OF THE XIJIULONG VENDORS AND XIJIULONG

Xijiulong is an investment holding company incorporated in the PRC which is 95% and 5% controlled by Ms. Yu Yanyan and Ms. Yu Jiajia, the Xijiulong Vendors, respectively, it has a substantial subsidiary engaged in running an electronic commerce platform in the PRC.

Ms. Yu Yanyan and Ms. Yu Jiajia are daughters and associates of Mr. Yu Jianqiu, our chairman, director and controlling shareholder, and are therefore connected persons of the Company. Under Chapter 14A of the Listing Rules, the Agreements constitute connected transactions of the Company.

INFORMATION OF THE BAOHE DEVELOPMENT VENDORS AND BAOHE DEVELOPMENT

Baohe Development is an investment holding company incorporated in the PRC which is 85%, 10% and 5% held by Mr. Wang Zhixuan, Mr. Li Feng and Mr. Wang Li, the Baohe Development Vendors, respectively.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Baohe Development Vendors are third parties independent of the Company and its connected persons.

INFORMATION OF THE GROUP

The Group is a fast-growing manufacturer of recycled copper products, also known as copper semis, 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 wirerods, copper wires, copper plates, copper granules, power transmission and distribution cables and communication cables.

LISTING RULES IMPLICATIONS

The issue of the Deda New Shares will result in a dilution of the shareholding interest of our Group in Deda. Under the Listing Rules, such dilution is regarded as a deemed disposal by the Company of shareholding interest in Deda.

Ms. Yu Yanyan and Ms. Yu Jiajia, being the Xijiulong Vendors, are daughters and associates of Mr. Yu Jianqiu, our Chairman and executive Director, and are connected persons of the Company. Hence, the Acquisition and the Deemed Disposal constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition and the Deemed Disposal is more than 0.1% but less than 5%, the Acquisition and the Deemed Disposal are subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the interest of the Xijiulong Vendors in the transaction, Mr. Yu has abstained from voting on the Board resolution approving the Agreements and the transactions contemplated thereunder. Save for the aforesaid Director, there is no Director having material interest in the Acquisition and/or the Deemed Disposal and has to abstain from voting on the relevant Board resolution.

DEFINITIONS

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

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| “Acquisition” | the acquisition of 30% of interest in the Target Company by way of the Equity Transfer and the Deemed Disposal contemplated under the Agreements; |
| “Agreements” | the acquisition agreement in relation to the Acquisition and the Deemed Disposal between the Company and the Vendors dated 22 April 2015 and the agreement in relation to the Equity Transfer between Xijiulong, Baohe Development and HK Fujian Investments dated 22 April 2015, details of which are set out in the section headed “The Agreements” of this announcement; |

“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;
“Baohe Development Vendors”	Mr. Li Feng, Mr. Wang Zhixuan and Mr. Wang Li;
“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);
“Completion”	the Completion of the transaction contemplated under the Agreements;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholders”	has the meaning ascribed thereto under the Listing Rules;
“Deda”	Deda Holdings Limited, a wholly owned subsidiary of the Company and a company incorporated in the BVI;
“Deda New Shares”	700 new share(s) of USD1.0 each in the share capital of Deda to be issued by Deda to the Xijiulong Vendors and the Baohe Development Vendors;
“Deemed Disposal”	the issue of Deda New Shares by Deda to the Vendors pursuant to the Agreements;
“Director(s)”	the director(s) of the Company;
“Equity Transfer”	the transfer of 49% and 51% by Xijiulong and Baohe Development, respectively, of the equity interest of the Target Company to HK Fujian Investments, details of which are set out in the section headed “The Agreements — Acquisition and Deemed Disposal” of this announcement;
“Group”	the Company and its subsidiaries;
“HK Fujian Investments”	Hong Kong Fujian Investments Limited, a wholly-owned subsidiary of Deda and a company incorporated in Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longstop Date”	22 July 2015 (or such date as may be agreed by the Company and the Vendors);
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“USD”	US dollar, the lawful currency of the United States of America;
“Vendors”	the Baohe Development Vendors and the Xijiulong Vendors;
“Xijiulong”	Sichuan Xijiulong Investment Co., Ltd. (四川省西九龍置業有限公司), a company incorporated in the PRC with limited liability beneficially owned by Ms. Yu Yanyan and Ms. Yu Jiajia as to 95% and 5%, respectively, and is a connected person of the Company;
“Xijiulong Vendors”	Ms. Yu Yanyan and Ms. Yu Jiajia, daughters and associates of Mr. Yu Jianqiu, and are connected persons of the Company; and
“%”	per cent.

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

Hong Kong, 22 April 2015

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.