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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 CONVERTIBLE BONDS DUE 2019 UNDER GENERAL MANDATE AND ANNOUNCEMENT ISSUED UNDER RULE 13.17

PROPOSED ISSUE OF THE INVESTOR CONVERTIBLE BONDS

On 31 July 2017 (after trading hours), the Company entered into the Investor Subscription Agreement with the Investor and Mr. Yu Jianqiu, pursuant to which the Investor agreed to subscribe and pay for the Investor Convertible Bonds to be issued by the Company in a principal amount of HK\$400,000,000. The Investor Convertible Bonds are convertible in the circumstances set out in the Investor Terms and Conditions into ordinary shares of HK\$0.10 each in the issued share capital of the Company at an initial Investor Conversion Price of HK\$2.990 per Share (subject to adjustment).

PROPOSED ISSUE OF THE PROSPER RICH CONVERTIBLE BONDS

On 31 July 2017 (after trading hours), the Company entered into the Prosper Rich Subscription Agreement with Prosper Rich pursuant to which Prosper Rich agreed to subscribe and pay for the Prosper Rich Convertible Bonds to be issued by the Company in a principal amount of HK\$200,000,000. The Prosper Rich Convertible Bonds are convertible in the circumstances set out in the Prosper Rich Terms and Conditions into ordinary shares of HK\$0.10 each in the issued share capital of the Company at an initial Prosper Rich Conversion Price of HK\$2.990 per Share (subject to adjustment).

Assuming full conversion of the Convertible Bonds at their respective initial Conversion Price, the Convertible Bonds will be convertible into approximately 200,668,896 New Shares, representing approximately 8.13% of the issued share capital of the Company as at the date of this announcement and approximately 7.52% of the issued share capital of the Company as enlarged by the issue of the New Shares. The conversion rights attaching to the Convertible Bonds may only be exercised (in whole or in part) if, amongst others, after the exercise of the conversion rights the public float will be not less than 25% of the issued share capital of the Company as enlarged by the issue of the New Shares.

The New Shares to be issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

No listing of the Convertible Bonds will be sought in any jurisdiction. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

LISTING RULES IMPLICATIONS

The New Shares will be issued pursuant to the General Mandate. The issue of the Convertible Bonds is not subject to the approval of the Shareholders.

Completion of the Subscription Agreements are subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreements may be terminated in certain circumstances. Please refer to the section headed “The Investor Subscription Agreement” and “The Prosper Rich Subscription Agreement” below for further information.

As the Subscription Agreements may or may not complete, the Convertible Bonds may or may not be issued and/or the New Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE INVESTOR CONVERTIBLE BONDS

The Investor Subscription Agreement

Date:

31 July 2017 (after trading hours)

Parties:

1. The Company, as issuer;
2. Mr. Yu Jianqiu, chairman and executive Director of the Company as guarantor; and
3. The Investor, as the subscriber.

Subscription:

Subject to the satisfaction (or waiver) of the conditions set out below in the section headed “Investor Conditions Precedent”, the Company has agreed to issue and the Investor has agreed to subscribe for the Investor Convertible Bonds in the principal amount of HK\$400,000,000.

Investor Conditions Precedent:

The obligations of the Investor to subscribe and pay for, and the obligations of the Company to issue, the Investor Convertible Bonds are conditional upon the fulfilment of the following conditions:

1. from the date of signing of the Investor Subscription Agreement to the closing date under the Investor Subscription Agreement, the listing of the Shares on the Hong Kong Stock Exchange has not been withdrawn and continuous trading in the Shares shall remain on the Hong Kong Stock Exchange without a trading halt for over 3 consecutive Trading Days, other than a suspension required under the Listing Rules;
2. the Listing Committee of the Hong Kong Stock Exchange shall grant approval for the listing of, and permission to deal in, all the New Shares and such listing approval and permission have not been withdrawn before the closing date under the Investor Subscription Agreement;
3. no notice, order, judgment, litigation or proceedings have been served, issued, delivered or initiated which restricts, prohibits or renders illegal, or intends to restrict, prohibit or render illegal, any transaction contemplated under the transaction documents or may have material adverse impact on the exercise of the Investor’s rights under the transaction documents;
4. the representations and warranties of the Company contained in the Investor Subscription Agreement shall remain true and accurate and shall not be misleading in all material respects;
5. no material adverse effect or changes have occurred or may occur before closing; and
6. the Investor receiving certain Hong Kong, the Cayman Islands and the British Virgin Islands legal opinions.

The Investor has discretion to waive one or more of the conditions precedent (except condition (2) above) by notice in writing to the Company from time to time.

If any of the above conditions precedent has not been satisfied or waived by the Investor by 18 August 2017 (or such other date as may be agreed in writing by the Company and the Investor), the Investor Subscription Agreement will terminate and have no further effect. The parties to the Investor Subscription Agreement will have no claim against, and no obligation towards, each other, save as to any antecedent breaches.

As at the date of this announcement, all the above conditions precedent to the completion of the Investor Subscription Agreement are yet to be satisfied and/or (as the case may be) waived.

Closing:

Closing shall take place within five (5) business days following the satisfaction (or waiver) of the condition set out above in the section headed “Investor Conditions Precedent” above or such other date as agreed by the Company and the Investor in writing.

The Company shall deliver, amongst other, to the Investor (i) a share charge over 278,000,000 Shares duly executed by Epoch Keen Limited, an entity wholly-owned by Mr. Yu Jianqiu; and (ii) a share charge over shares in True Excel Holdings Limited (an indirect wholly-owned subsidiary of the Company which in turn holds certain operating subsidiaries of the Group), duly executed by Engen Investments Limited, a wholly-owned subsidiary of the Company, as security over the performance of the Company’s obligation, amongst others, under the Investor Subscription Agreement and the Investor Convertible Bonds.

Termination:

If, at any time before closing:

1. the Company commits or has committed any material breach of, or neglects or fails or has neglected or failed to fulfill its obligations or undertakings under the Investor Subscription Agreement or the transactions contemplated thereunder in any material respects, and no remedy is made within three (3) Business Days after the Investor’s request for remedy;
2. any representations and warranties become untrue, inaccurate or misleading materially;
3. there occurs a material adverse effect (or change) on the Company or the Group (as a whole);
4. the listing of the Shares have been withdrawn and trading in the Shares suspended (other than a trading halt pursuant to the Listing Rules, which under no circumstances shall last for more than three (3) consecutive Trading Days (or such other period as may be agreed by the parties) of the Hong Kong Stock Exchange);
5. any required consent, registration, filing, permission, confirmation, approval, judgment or decision have not been obtained from the competent authorities or banking institutions or creditors of any member of the Group or any other third parties which may be significant to the transactions contemplated under the Investor Subscription Agreement, or, if already obtained, the same shall have been revoked; or
6. notice, order, judgment, litigation or proceedings has been served, issued, or delivered which restricts, prohibits or renders illegal any transactions contemplated under the Investor Subscription Agreement,

in each case, the Investor may terminate the Investor Subscription Agreement by notifying the Company in writing.

The Principal Terms of the Investor Convertible Bonds

The principal terms of the Investor Convertible Bonds are summarised as follows:

Principal amount:	The Investor Convertible Bonds in a principal amount of HK\$400,000,000.
Maturity Date:	Date of the second anniversary of the Issue Date (unless redeemed early).
Redemption amount on maturity:	<p>If the Investor Convertible Bonds have not been converted before the Maturity Date, the Company shall on the Maturity Date redeem all the outstanding Investor Convertible Bonds at nominal value (plus accrued but unpaid interest).</p> <p>If the Investor Convertible Bonds are due for redemption pursuant to the Investor Terms and Conditions and the average closing share price of the Company during any 6 consecutive months within the period commencing from the Issue Date to the Maturity Date has never, at any point of time, reached or exceeded the Investor Conversion Price, the Company shall, upon redemption of the Investor Convertible Bonds, compensate the Investor Bondholder(s) in cash so that such Investor Bondholder(s) is(are) guaranteed an annualized return of 12% for the period commencing from the Issue Date to the date of redemption (the annualized return includes the interest payments on such portion of Investor Convertible Bonds).</p>
Interest rate:	The Investor Convertible Bonds bear interest at the rate of 8 per cent. per annum from and including the Issue Date payable quarterly in arrear.
Status:	The Investor Convertible Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company. The Investor Convertible Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Conversion right:	Subject to the Investor Terms and Conditions, the Investor Bondholder(s) shall be entitled to convert in whole or in part, the Investor Convertible Bonds into New Shares on any Business Day from the Issue Date up to and including the Maturity Date. Please refer to below for further details.
Conversion Price:	The Investor Conversion Price will initially be HK\$2.990 per Share (subject to adjustment as provided in the Investor Terms and Conditions).

Adjustments to the
Conversion Price:

The Investor Conversion Price will be subject to adjustment upon the occurrence of certain events as set out in the Investor Terms and Conditions as follows:

- (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) the issue of any Shares by way of capitalisation of profits or reserves;
- (iii) the issue of Shares in lieu of a cash dividend;
- (iv) capital distribution;
- (v) an offer to the holders of the Shares new shares for subscription by way of rights issue, or a grant to holders of the Shares any options or warrants;
- (vi) the issue of Shares or other securities pursuant to which Shares can be subscribed for or converted at a price lower than 95% of the market price of the Shares; and
- (vii) other issue of securities which by their terms are convertible into or exchangeable for or carry rights to subscribe for new Shares at a price lower than 95% of the market price of the Shares.

Notwithstanding that the Investor Conversion Price will be subject to adjustment, the Company will monitor internally before taking any action which may trigger an adjustment event to ensure that if any corporate action would trigger an adjustment event which would result in the General Mandate being insufficient to cover the issue of New Shares upon exercise of the conversion rights attaching to the Investor Convertible Bonds, such corporate action will not be taken.

Restriction on conversion:

The conversion rights attaching to the Investor Convertible Bonds may only be exercised (in whole or in part) if after the exercise of conversion rights:

- (i) the principal amount of the Investor Convertible Bonds already converted into Shares does not exceed HK\$200,000,000; and
- (ii) the public float will be not less than 25% of the issued share capital of the Company as enlarged by the issue of the New Shares.

Early redemption for relevant event by the Bondholder:	<p>In the event of the occurrence of an event of default as set out in the Investor Terms and Conditions, the Investor Bondholder(s) may request for early redemption and the Company shall redeem all the outstanding Investor Convertible Bonds at nominal value (plus interest accrued but unpaid).</p> <p>In the event of such early redemption, the Company shall, upon redemption, compensate the Investor Bondholder in cash so that such Investor Bondholder(s) is(are) guaranteed an annualised return of 12% for the period commencing from the Issue Date to the date of early redemption (the annualised return includes the interest payments on such portion of Investor Convertible Bonds).</p>
Form and denomination:	The Investor Convertible Bonds will be in registered form in the denomination of HK\$1,000,000 each and integral multiples thereof.
Voting rights:	Investor Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Investor Bondholders.
Transferability:	The Investor Convertible Bonds are freely transferable from the Issue Date provided that the Investor Bondholder has notified the Company before such transfer is effected.
Events of default:	If any event of default set out in the Investor Terms and Conditions occurs, the Investor Bondholder may give notice to the Company that the Investor Convertible Bonds, together with the interest accrued, will become immediately due and payable.
Guarantee and Security:	<p>Mr. Yu Jianqiu and certain subsidiaries of the Company have given an unconditional and irrevocable guarantee over the Company's obligations, amongst others, under the Investor Subscription Agreement and the Investor Convertible Bonds.</p> <p>As security over, amongst others, the performance of the Company's obligations under the Investor Subscription Agreement and the Investor Convertible Bonds, (i) Epoch Keen and the Investor have entered into a share charge over 278,000,000 Shares, and (ii) Engen Investments Limited, a wholly-owned subsidiary of the Company, and the Investor have entered into a share charge over shares in True Excel Holdings Limited (an indirect wholly-owned subsidiary of the Company which in turn holds certain operating subsidiaries of the Group).</p>

THE PROSPER RICH CONVERTIBLE BONDS

The Prosper Rich Subscription Agreement

Date:

31 July 2017 (after trading hours)

Parties:

1. The Company as issuer;
2. Prosper Rich, as the subscriber.

Subscription:

Subject to the satisfaction (or waiver) of the conditions set out below in the section headed “Prosper Rich Conditions Precedent”, the Company has agreed to issue and Prosper Rich has agreed to subscribe for the Prosper Rich Convertible Bonds in the principal amount of HK\$200,000,000.

Prosper Rich Conditions Precedent:

The obligations of Prosper Rich to subscribe and pay for, and the obligations of the Company to issue, the Prosper Rich Convertible Bonds are conditional upon, among other things, the fulfilment of the following conditions:

1. the Hong Kong Stock Exchange shall grant the listing of, and permission to deal in, all the New Shares;
2. the issuance of the Investor Convertible Bonds;
3. the entering into of the Call Option and Backup Call Option;
4. no adverse changes or development reasonably likely to involve an adverse change in the financial or trading position, condition (financial or otherwise), results of operations, profitability, shareholders’ equity, business, properties, general affairs, management or prospects of the Company that is material in the context of the Prosper Rich Convertible Bonds, have occurred before the closing date under the Prosper Rich Subscription Agreement; and
5. warranties shall remain true and accurate and shall not be misleading in all respects.

Prosper Rich has the discretion to waive the condition (5) above.

If any of the above conditions precedent has not been satisfied or waived by Prosper Rich by the closing date under the Prosper Rich Subscription Agreement (or such other date as may be agreed in writing by the Company and Prosper Rich), the Prosper Rich Subscription Agreement will terminate and have no further effect. The parties to the Prosper Rich Subscription Agreement will have no claim against, and no obligation towards, each other, save as to any antecedent breaches.

As at the date of this announcement, all the above conditions precedent to the completion of the Prosper Rich Subscription Agreement are yet to be satisfied and/or (as the case may be) waived.

Closing:

Closing shall take place within five (5) business days of the Prosper Rich Subscription Agreement or such other date as agreed by the Company and Prosper Rich.

Termination:

The Prosper Rich Subscription Agreement shall terminate upon:

1. the redemption of the Prosper Rich Convertible Bonds in accordance with its terms and conditions;
2. any of the warranties is untrue or incorrect,
3. the Company breaching any of its obligation under the Prosper Rich Subscription Agreement; or
4. any of the conditions precedent is not satisfied or waived by closing.

The Principal Terms of the Prosper Rich Convertible Bonds

The principal terms of the Prosper Rich Convertible Bonds are summarised as follows:

Principal amount:	The Prosper Rich Convertible Bonds in a principal amount of HK\$200,000,000.
Maturity Date:	Date of the second anniversary of the Issue Date (unless redeemed early).
Redemption amount on maturity:	If the Prosper Rich Convertible Bonds have not been converted before the Maturity Date, the Company shall on the Maturity Date redeem all the outstanding Prosper Rich Convertible Bonds at nominal value (plus interest accrued but unpaid).
Interest rate:	The Prosper Rich Convertible Bonds bear interest at the rate of 8 per cent. per annum from and including the Issue Date payable quarterly in arrear.

- Status: The Prosper Rich Convertible Bonds constitute direct, unconditional, and unsecured obligations of the Company. The Prosper Rich Convertible Bonds shall be entitled to the same rights in all respects as all existing and future unsecured and unsubordinated obligations of the Company, provided, however, pursuant to a subordination deed executed amongst the Investor, Prosper Rich and the Company, the Prosper Rich Bondholder's claims under the Prosper Rich Convertible Bonds shall be subordinated to the claims of the Investor Bondholders under the Investor Convertible Bonds.
- Conversion right: Subject to the Prosper Rich Terms and Conditions, the Prosper Rich Bondholder(s) shall be entitled to convert in whole or in part, the Prosper Rich Convertible Bonds into New Shares on any Business Day from the Issue Date up to the close of business on the seventh day prior to the Maturity Date, or if the Prosper Rich Convertible Bonds are called for redemption by the Company, then up to close of business on a date no later than seven days prior to the date fixed for redemption.
- Conversion Price: The Prosper Rich Conversion Price will initially be HK\$2.990 per Share (subject to adjustment as provided in the Prosper Rich Terms and Conditions).
- Adjustments to the Conversion Price: The Prosper Rich Conversion Price will be subject to adjustment upon the occurrence of certain events as set out in the Prosper Rich Terms and Conditions as follows:
- (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
 - (ii) the issue of any Shares by way of capitalisation of profits or reserves;
 - (iii) the making of any capital contribution by the Company to its shareholders, including any distribution of assets in specie or any cash dividend or distribution;
 - (iv) an offer to the holders of the Shares new shares or any other securities for subscription by way of rights issue, or a grant to holders of the Shares any options or warrants;
 - (v) the issue of Shares or other securities pursuant to which Shares can be subscribed for or converted at a price lower than 95% of the market price of the Shares; and

(vi) the issue of securities by the Company or its subsidiaries or other entities pursuant to which Shares can be acquired; or

(vii) any events or circumstances where the Company determines that an adjustment should be made.

Notwithstanding that the Prosper Rich Conversion Price will be subject to adjustment, the Company will monitor internally before taking any action which may trigger an adjustment event to ensure that if any corporate action would trigger an adjustment event which would result in the General Mandate being insufficient to cover the issue of New Shares upon exercise of the conversion rights attaching to the Prosper Rich Convertible Bonds, such corporate action will not be taken.

Restriction on conversion: The conversion rights attaching to the Prosper Rich Convertible Bonds may only be exercised (in whole or in part) if the issuance of such New Shares is not in breach of the Listing Rules.

Form and denomination: The Prosper Rich Convertible Bonds will be in registered form in the denomination of HK\$1,000,000 each and integral multiples of HK\$100,000 in excess thereof.

Transferability: The Prosper Rich Convertible Bonds are freely transferable from the Issue Date in accordance with the Prosper Rich Terms and Conditions.

Events of default: If any event of default set out in the Prosper Rich Terms and Conditions occurs, the Prosper Rich Bondholder may give notice to the Company that the Prosper Rich Convertible Bonds, together with the interests accrued, are immediately due and payable.

THE CALL OPTION AGREEMENTS

The Investor and Prosper Rich have entered into the Call Option on 31 July 2017 whereby Prosper Rich has a right to request for the acquisition of the Investor Convertible Bonds in the principal amount of HK\$200,000,000 from the Investor for an amount equal to the principal amount of such Investor Convertible Bonds plus a premium, provided, however, the Investor has a right to decline such request from Prosper Rich.

In the event that the Investor turns down the call option request by Prosper Rich under the Call Option, pursuant to the Backup Call Option entered into between Epoch Keen Limited and Prosper Rich on 31 July 2017, Epoch Keen Limited has agreed to, amongst other things, grant Prosper Rich a call option over such number of Shares Prosper Rich would have been entitled to under the Call Option had the Investor consented to Prosper Rich's exercise of

option, at a price per Shares equivalent to the Investor Conversion Price on the date of exercising the Call Option and in such case, pay Prosper Rich a fee. At the option of Epoch Keen Limited, Epoch Keen Limited may cash settle its obligations under the Backup Call Option. Prosper Rich also can require the lending of certain Shares from Epoch Keen Limited upon occurrence of certain events. Epoch Keen Limited is the holder of 40.80% of the total issued shares of the Company as at the date of this announcement. The Company is not a party to the Call Option or the Backup Call Option.

INFORMATION ABOUT 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.

INFORMATION OF THE INVESTOR

The Investor is a limited company incorporated in Hong Kong which is principally engaged in investment holding, provision of money lending services and consulting services. As at the date of this announcement, the Investor holds 90,881,295 Shares in the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor is an Independent Third Party.

INFORMATION OF PROSPER RICH

Prosper Rich is a limited company incorporated in the British Virgin Islands whose principal business is investment holding and it has various investments in capital markets including listed securities, bonds and private funds in the Greater China region, Singapore, Australia and the United States. Prosper Rich and its affiliates possess over US\$250 million in assets consisting largely of listed securities as well as private equity investments and funds. As the date of this announcement, Prosper Rich holds 814,074 Shares in the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Prosper Rich is an Independent Third Party.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION OF THE CONVERTIBLE BONDS

Assuming full conversion of the Convertible Bonds at their respective initial Conversion Price, the Convertible Bonds will be convertible into approximately 200,668,896 New Shares, representing approximately 8.13% of the issued share capital of the Company as at the date of this announcement and approximately 7.52% of the issued share capital of the Company as enlarged by the issue of the New Shares. The New Shares to be issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

To the best knowledge of the Company, assuming that there is no change in the issued share capital of the Company prior to the conversion of the Convertible Bonds, the following table summarises the potential effects on the shareholding structure of the Company as a result of the issue of the Convertible Bonds (by reference to the shareholdings as at the date of this announcement and assuming full conversion of the Convertible Bonds):

	As at the date of this announcement		Assuming the Convertible Bonds are fully converted into Shares (subject to adjustment) at their respective initial Conversion Price	
	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	38.89
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (<i>note 2</i>)	310,317,000	12.58	310,317,000	11.63
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	135,000,000	5.47	135,000,000	5.06
The Investor	90,881,295	3.68	224,660,559 (<i>note 4</i>)	8.42
Prosper Rich	814,074	0.04	67,703,706	2.54
Other public shareholders	889,261,600	36.05	889,261,600	33.34
Total	<u>2,466,900,969</u>	<u>100.00</u>	<u>2,667,569,865</u>	<u>100.00</u>

Notes:

1. The shares were held by Mr. Yu, Chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu.
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.
4. For illustration purposes only as The Investor Terms and Conditions restricts the exercise of conversion right up to a principal amount of HK\$200,000,000, which is convertible to approximately 66,889,632 Shares (subject to adjustment).

The Company has adopted a share option scheme on 28 January 2014. As at the date of this announcement, the Company has granted 256,090,000 share options to the Directors and certain eligible participants under the share option scheme to subscribe for up to a total of 256,090,000 Shares. As at the date of this announcement, 159,148,000 share options remain outstanding. Please refer to the announcements of the Company for further details.

As at the date of this announcement, 27,713,950 warrants were issued and remain unexercised. Upon full exercise of the subscription rights attaching to the issued but unexercised warrants, 27,713,950 Shares may be issued and allotted. Please refer to the announcements of the Company for further details.

On 9 April 2017, the Company issued certain convertible bonds to Leading Sky Holdings Limited. Assuming full conversion of the conversion rights attaching to such convertible bonds at its initial conversion price, approximately 83,333,333 Shares (subject to such adjustment in accordance with the relevant terms and conditions) may be issued. Please refer to the Company's announcement dated 9 April 2017 for further details.

Save as disclosed above, at the date of this announcement, the Company has no outstanding convertible securities which are convertible into Shares.

COMPARISON OF CONVERSION PRICE

The initial Conversion Price was determined after arm's length negotiations between the Company and the Investor and Prosper Rich.

The initial Investor Conversion Price of HK\$2.990 represents:

- (1) a premium of approximately 0.67% over the Closing Price of HK\$2.970 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 0.07% over the average Closing Price of HK\$2.992 per Share for the last five consecutive Trading Days up to and including the Last Trading Day; and
- (3) a premium of approximately 0.07% over the average Closing Price of HK\$2.988 per Share for the last ten consecutive Trading Days up to and including the Last Trading Day.

The initial Prosper Rich Conversion Price of HK\$2.990 represents:

- (1) a premium of approximately 0.67% over the Closing Price of HK\$2.970 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 0.07% over the average Closing Price of HK\$2.992 per Share for the last five consecutive Trading Days up to and including the Last Trading Day; and
- (3) a premium of approximately 0.07% over the average Closing Price of HK\$2.988 per Share for the last ten consecutive Trading Days up to and including the Last Trading Day.

GENERAL MANDATE

The Shares to be allotted and issued upon exercising of the subscription rights of the Convertible Bonds 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 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. As the issue of the Convertible Bonds utilises the General Mandate, no further approval from Shareholders is needed.

The conversion rights attaching to the Convertible Bonds may be exercised (in whole or in part) if after the exercise of conversion rights the public float will be not less than 25% of the issued share capital of the Company as enlarged by the issue of the New Shares.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Conversion Price, upon the conversion of the Convertible Bonds, a total of approximately 200,668,896 New Shares will be issued, which represent approximately 8.39% of aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM.

As at the date of this announcement, no Shares has been issued under the General Mandate.

LISTING RULES IMPLICATIONS

The New Shares will be issued pursuant to the General Mandate to allot and issue new Shares as described above. The issue of the Convertible Bonds is not subject to the approval of the Shareholders.

USE OF PROCEEDS

The net proceeds from the issue of the Convertible Bonds will be approximately HK\$582,000,000.

The Company intends to use the net proceeds (net of fees, commissions and expenses) from the issue of the Convertible Bonds to purchase raw material for the Company's expansion of production.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

The Directors are of the view that the issuance of such convertible bonds will enhance the Group's capital structure and liquidity and to finance the Group's future development and expansion.

The Directors consider that the terms, including the respective Conversion Prices, of the Subscription Agreements and the transactions contemplated thereunder, which were arrived at after arm's length negotiations between the Company, the Investor and Prosper Rich, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
1 June 2017	Issuance of new ordinary shares of 74,074,074 shares	Approximately HK\$194.0 million	(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\$5,000,000 for purchasing raw materials for the Group's production; (ii) approximately HK\$66,000,000 for purchasing copper products for the Group's trading business; (iii) approximately HK\$23,000,000 for repaying part of the Group's trade payable, and (vi) the balance of approximately HK\$100,000,000 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 of the Group	(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.
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

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.

APPLICATION FOR LISTING

No listing of the Convertible Bonds will be sought in any jurisdiction. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

Completion of the Subscription Agreements are subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreements may be terminated in certain circumstances. Please refer to the section headed “The Investor Subscription Agreement” and “The Prosper Rich Agreement” above for further information.

As the Subscription Agreements may or may not complete, the Convertible Bonds may or may not be issued and/or the New Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 6 June 2017
“Backup Call Option”	a call option agreement entered into by Epoch Keen Limited and Prosper Rich on 31 July 2017
“Business Day”	a day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business during normal business hours
“Call Option”	a call option agreement entered into by Prosper Rich and the Investor on 31 July 2017
“Closing Price”	the closing price for the Shares published in the daily quotation sheet published by the Hong Kong Stock Exchange for such day
“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)

“Convertible Bonds”	the Investor Convertible Bonds and the Prosper Rich Convertible Bonds
“Conversion Price”	the Investor Conversion Price and the Prosper Rich Conversion Price (as the case may be)
“Directors”	the directors 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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	person(s) or companies who is/are not connected persons or associates of connected persons of the Company as defined in the Listing Rules
“Investor”	China Huarong International Holdings Limited, a limited liability company incorporated under the laws of Hong Kong
“Investor Bondholder(s)”	the holders of the Investor Convertible Bonds from time to time
“Investor Convertible Bonds”	the convertible bonds due 2019 in the aggregate principal amount of HK\$400,000,000 proposed to be issued by the Company to the Investor under the Investor Subscription Agreement
“Investor Conversion Price”	the price at which the Shares will be issued upon conversion of the Investor Convertible Bonds which will initially be HK\$2.990 per Share (subject to adjustment)
“Investor Subscription Agreement”	the subscription agreement entered into between the Company and the Investor on 31 July 2017 in relation to the proposed issue of the Investor Convertible Bonds

“Investor Terms and Conditions”	the terms and conditions governing the Investor Convertible Bonds
“Issue Date”	the date of issue of the Convertible Bonds
“Last Trading Day”	31 July 2017, being the last full Trading Day immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Maturity Date”	the date on which the Convertible Bonds mature, namely the date which is the second anniversary of the Issue Date
“New Shares”	Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds
“Prosper Rich”	Prosper Rich Investments Limited, a limited liability incorporated under the laws of the British Virgin Islands
“Prosper Rich Bondholder(s)”	the holders of the Prosper Rich Convertible Bonds from time to time
“Prosper Rich Convertible Bonds”	the convertible bonds due 2019 in the aggregate principal amount of HK\$200,000,000 proposed to be issued by the Company to Prosper Rich under the Prosper Rich Subscription Agreement
“Prosper Rich Conversion Price”	the price at which the Shares will be issued upon conversion of the Prosper Rich Convertible Bonds which will initially be HK\$2.990 per Share (subject to adjustment)
“Prosper Rich Subscription Agreement”	the subscription agreement entered into between the Company and Prosper Rich on 31 July 2017 in relation to the proposed issue of the Prosper Rich Convertible Bonds
“Prosper Rich Terms and Conditions”	the terms and conditions governing the Prosper Rich Convertible Bonds
“Shareholders”	the holders of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Subscription Agreements”	the Investor Subscription Agreement and the Prosper Rich Subscription Agreement

“substantial shareholder” has the meaning ascribed to that term in the Listing Rules and “substantial shareholders” shall be construed accordingly

“Trading Day(s)” days on which the Hong Kong Stock Exchange is open for dealing business

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

Hong Kong, 31 July 2017

As at the date of this announcement, the board of directors of the Company comprises 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.