Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

中金资源

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)

CLARIFICATION ANNOUNCEMENT
SHARE TRANSACTION
IN RELATION TO A SALE AND PURCHASE AGREEMENT
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE

Reference is made to the announcement of China Metal Resources Utilization Limited (the "**Company**") dated 15 December 2017 (the "**Announcement**") in relation to the entering into of a sale and purchase agreement by the Company for the acquisition of the entire issued share capital of Silver Eminent Group Limited (the "**Target**"). Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

Further to the information disclosed in the Announcement, the Company would like to clarify that, as all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5% and part of the consideration for the Acquisition shall be settled by the allotment and issuance of Consideration Shares, the Acquisition constitutes a share transaction for the Company rather than a discloseable transaction under Chapter 14 of the Listing Rules.

In addition, as disclosed in the Announcement, the number of Consideration Shares to be issued by the Company is subject to the Earn-Out Arrangement. Further announcements will be published by the Company and disclosures will be made by the Company in its annual reports in relation to the performance of the Target and whether or not the Performance Targets are met. Announcement will also be published by the Company after the allotment and issuance of any Consideration Shares pursuant to the Earn-out Arrangement.

In determining the consideration for the Acquisition, the following factors were considered by the Board:

— Due diligence was conducted by the Company on the equipment and factory premises owned by Sichuan Longhua which are leased to Mianyang Zhaofeng under the Fixed Assets Leasing Agreements. Based on the production capacity from the equipment and factory premises of Sichuan Longhua, the Company estimated that Sichuan Longhua has the capacity of producing 30,000 tons of copper products on an annual basis. The Company is of the view that, based on the current market price of copper products (at the date of this announcement, approximately RMB47,000 per ton, excluding VAT) such production capacity would generate a maximum revenue of approximately RMB1,410 million. On the basis of an estimated operating profit margin of 3%, being the operating profit margin of the Group's recycled copper products manufacturing business in the PRC for the six months ended 30 June 2017 and a preferential corporate income tax rate of 15% under the preferential policy for promoting the development of western China, it is estimated that the Target would generate a net profit of approximately RMB35.0 million on an annual basis;

— The members of the Management Team, who are responsible for managing the equipment and factory premises leased to Mianyang Zhaofeng under the Fixed Asset Leasing Agreements, have extensive experience in conducting the business of Sichuan Longhua since 2005. The Management Agreement between Mianyang Zhaofeng and the Management Team is therefore considered by the Company as an important asset that would contribute to the success of the Target;

— The Company analysed the price-earning ratio of companies listed on the Stock Exchange with similar business as the Target, namely the production of metal products. The average price-earning ratio of such companies in the past 12 months was approximately 10 times, which is higher than the price-earning ratio of the Target based on the consideration paid by the Company;

— Prior to entering into the Sale and Purchase Agreement, the Board had considered other alternatives to acquiring shares in the Target including the acquisition of equity interest in Sichuan Longhua. However, the Board was concerned about the contingent liabilities of Sichuan Longhua which was revealed during its due diligence and, therefore, considered the acquisition of shares in the Target, being a new company with the benefit of the Fixed Asset Leasing Agreements and the Management Agreement, to be a viable solution of effectively obtaining the benefit of the business of Sichuan Longhua while avoiding the incurrence of contingent liabilities; and

— 50% of the cash consideration payable by the Company for the Acquisition will be lent by Yuanxin to China Zhaofeng, a subsidiary of the Target and therefore a subsidiary of the Company upon completion of the Sale and Purchase Agreement. In the event that the Target fails to achieve an aggregate net profits of RMB45,000,000, representing 50% of the aggregate Performance Target, for the three years ending 31 December 2020, Yuanxin shall, depending on the actual aggregate net profits achieved by the Target compared to the aggregate Performance Target, unconditionally waive a maximum of the full amount of such loan to China Zhaofeng. The Board considered that such arrangement effectively enables the Company to have part of the cash consideration repaid to the Group in the event that the Target fails to achieve half of the Performance Target.

Having considered the prospect of the Target with reference to its production capacity, the availability of the Management Team in managing the operation of the Target under the Management Agreement, the price-earning ratio of comparable companies, the disadvantages of the alternatives to acquiring the Target and the arrangement for the effective repayment of part of the cash consideration by Yuanxin in the event of a failure to achieve the Performance Target, the Board considered that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, the contents of the Announcement remain unchanged.

As the Acquisition is subject to the fulfilment or waiver (as the case may be) of the conditions as set out in the Sale and Purchase Agreement and the Acquisition may or may not proceed to completion, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

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

Hong Kong, 29 December 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.