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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)

(1) PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE; AND (2) CONTINUED SUSPENSION OF TRADING

PROPOSED ISSUE OF THE CONVERTIBLE NOTES

On 27 September 2024, the Company entered into the Subscription Agreement with the Investor, pursuant to which the Investor agreed to subscribe and pay for the Convertible Notes to be issued by the Company in a principal amount of RMB400,000,000. The Convertible Notes are convertible in the circumstances set out in the Terms and Conditions into ordinary shares of HK\$0.10 each in the issued share capital of the Company at a Conversion Price of HK\$0.465 per Share.

Assuming full conversion of the Convertible Notes at their Conversion Price, the Convertible Notes (together with all outstanding interests) will be convertible into approximately 1,068,364,985 New Shares, representing approximately 23.84% of the issued share capital of the Company as at the date of this announcement and approximately 19.25% 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 Notes will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

No listing of the Convertible Notes 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 Specific Mandate subject to the approval of the Shareholders at the EGM. The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, among other things, the grant of the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, other than the Investor, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) the Specific Mandate; (ii) further information on the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of the EGM and a form of proxy will be dispatched to the Shareholders as soon as practicable.

Completion of the Subscription Agreement is subject to the satisfaction of the conditions precedent therein. Please refer to the section headed “The Convertible Notes — The Subscription Agreement” below for further information. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

THE CONVERTIBLE NOTES

The Subscription Agreement

Date:

27 September 2024

Parties:

1. The Company, as issuer; and
2. The Investor, as the subscriber.

Subscription:

Subject to the satisfaction of the conditions set out below in the section headed “Conditions Precedent”, the Company has agreed to issue and the Investor has agreed to subscribe for the Convertible Notes in the principal amount of RMB400,000,000.

Conditions Precedent:

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

1. the Shares having resumed trading on the Main Board of the Hong Kong Stock Exchange; and

2. the Listing Committee of the Hong Kong Stock Exchange having granted 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 Subscription Agreement.

If any of the above conditions precedent has not been satisfied, the Subscription Agreement will terminate and have no further effect. The parties to the 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 Subscription Agreement are yet to be satisfied.

Closing:

Closing shall take place within five (5) business days following the satisfaction of the conditions set out in the section headed “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 duly issued certificate of Convertible Notes to the Noteholder (and/or any person(s) designated by the Noteholder); and (ii) a certified copy of the register of convertible notes of the Company, showing the Noteholder or the nominee(s) of the Noteholder has been registered as the holder of the Convertible Notes on the date of closing.

Principal Terms of the Convertible Notes

Principal terms of the Convertible Notes are summarised as follows:

Principal amount:	RMB400,000,000.
Maturity Date:	Date of the second anniversary of the Issue Date (unless redeemed early).
Conversion on maturity:	If the Convertible Notes have not been redeemed before the Maturity Date, the Convertible Notes (principal amount together with all outstanding interest) shall on the Maturity Date be automatically converted into fully paid New Shares.
Interest rate:	The Convertible Notes bear interest at the rate of 6 per cent. per annum from and including the date of closing and until the redemption or the conversion of the Convertible Notes. Any interest accrued is payable on the Maturity Date.
Status:	The Convertible Notes constitute direct, unconditional, unsubordinated and secured obligations of the Company. The Convertible Notes shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.

Conversion right:	Subject to the Terms and Conditions, the Noteholder(s) shall be entitled to convert in whole (but not in part), the Convertible Notes into New Shares any time from the Issue Date up to the Maturity Date.
Conversion Price:	HK\$0.465 per Share.
Early redemption for relevant event by the Noteholder:	In the event the Company breaches any of the Terms and Conditions and fails to remedy such breach within 7 days of notice thereof from a Noteholder, or an order for the winding up or dissolution of the Company is given, the Noteholder(s) may request for early redemption and the Company shall redeem all the outstanding Convertible Notes at nominal value (plus interest accrued but unpaid).
Early redemption by the Company:	The Company may, at any time before the Maturity Date, issue a written notice to the Noteholder to request for early redemption of all or part of the Convertible Notes.
Form:	The Convertible Notes will be in registered form.
Voting rights:	Noteholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Noteholders.
Transferability:	The Convertible Notes are not freely transferable from the Issue Date unless the Noteholder has obtained consent from the Company in writing before such transfer is effected.

INFORMATION ABOUT THE GROUP

The Group is a manufacturer of recycled copper products (also known as copper semis), communication cables and power transmission and distribution cables. 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.

INFORMATION OF THE INVESTOR

The Investor is a limited company incorporated in the PRC which is principally engaged in real estate development, hotel management, food catering, landscaping engineering facilities, municipal facilities management, and education. As at the date of this announcement, the Investor is interested in an aggregate of 86,980,272 Shares, representing approximately 1.94% of the existing issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor is an Independent Third Party.

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

Assuming full conversion of the Convertible Notes at the Conversion Price and an exchange rate of RMB1:HK\$0.90179, the Convertible Notes (principal amount together with all outstanding interests) will be convertible into approximately 1,068,364,985 New Shares, representing approximately 23.84% of the issued share capital of the Company as at the date of this announcement and approximately 19.25% 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 Notes 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 Notes, the following table summarises the potential effects on the shareholding structure of the Company as a result of the issue of the Convertible Notes (by reference to the shareholdings as at the date of this announcement and assuming full conversion of the Convertible Notes):

	As at the date of this announcement		Assuming the Convertible Notes (principal amount together with all outstanding interests) are fully converted into New Shares at the 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 (note 1)	538,998,400	12.03	538,998,400	9.87
Mr. Kwong Wai Sun Wilson (note 2)	3,272,600	0.07	3,272,600	0.06
Public Shareholders				
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (note 3)	310,317,000	6.93	310,317,000	5.68
Quaestus Capital Pte. Ltd.	280,312,902	6.25	280,312,902	5.13
Mianyang Fule Investment Co., Ltd. (note 4) (綿陽富樂投資有限公司)	717,994,566	16.02	717,994,566	13.14
Prosper Rich Investments Limited	557,627,268	12.44	557,627,268	10.21
Mianyang Yuan Cheng Ronghe Development Group Co., Ltd. (note 4) (綿陽園城融合發展集團有限責任公司)	500,000,000	11.16	500,000,000	9.15
The Investor	86,980,272	1.94	1,068,364,985	19.56
Other public shareholders	1,486,126,253	33.17	1,573,034,525	27.20
Total	<u>4,481,557,261</u>	<u>100.00</u>	<u>5,463,104,903</u>	<u>100.00</u>

Notes:

1. The Shares were held by Mr. Yu Jiangqiu, chairman of the board of Directors and an executive Director, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jiangqiu.
2. Mr. Kwong is an executive Director.
3. First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, a former Director who retired from his position at the Company on 30 June 2023.
4. The English translation of the names is for reference only. The official names of these companies are in Chinese.

The Company has no outstanding convertible securities which are convertible into Shares.

THE CONVERSION PRICE

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

The Conversion Price of HK\$0.465 represents:

- (1) a premium of approximately 868.75% over the Closing Price of HK\$0.048 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 564.29% over the average Closing Price of HK\$0.07 per Share for the last five consecutive Trading Days up to and including the Last Trading Day; and
- (3) a premium of approximately 492.36% over the average Closing Price of HK\$0.0785 per Share for the last ten consecutive Trading Days up to and including the Last Trading Day.

LISTING RULES IMPLICATION

The New Shares will be issued pursuant to the Specific Mandate.

The Company will seek the Specific Mandate from the Shareholders at the EGM to allot and issue the New Shares. To the best of the knowledge, information and belief of the Directors, other than the Investor, no Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve among other things, the grant of the Specific Mandate, the Subscription Agreement and the transaction contemplated thereunder. A circular containing, among other things, (i) the Specific Mandate; (ii) further information on the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of the EGM and a form of proxy will be dispatched to the Shareholders as soon as practicable.

USE OF PROCEEDS

The net proceeds (net of fees, commissions and expenses) from the issue of the Convertible Notes will be approximately HK\$443,562,248. The net price per New Share based on the aforementioned net proceeds will be approximately HK\$0.42.

The Company intends to use the net proceeds to reduce existing debts and provide working capital to the Group. The particulars in the use of the net proceeds are as follows:

Use of Proceeds	Amount (%)
Injection into the Company's operations in Mianyang. It is expected that all the proceeds shall be used in the procurement of raw materials.	RMB200,000,000 (50%)
Injection into the Company's operations in Hubei. It is expected that the proceeds shall be used in the procurement of raw materials, salary expenses, and the maintenance of fixed assets and other expenditures.	RMB60,000,000 (15%)
Injection into the Company's operations in Hunan. It is expected that the proceeds shall be used in the procurement of raw materials, salary expenses, and the maintenance of fixed assets and other expenditures.	RMB60,000,000 (15%)
Injection into the Company's operations in Liangshan. It is expected that the proceeds shall be used in the procurement of raw materials, salary expenses, and the maintenance of fixed assets and other expenditures.	RMB60,000,000 (15%)
Others, including general working capital.	RMB20,000,000 (5%)

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE NOTES

The Directors are of the view that the issuance of the Convertible Notes will enhance the Group's capital structure and liquidity and to finance the Group's future development and expansion, especially in light of the fact that certain of its operating subsidiaries are currently under bankruptcy reorganization.

The Directors consider that the terms, including the Conversion Price, of the Subscription Agreement and the transaction contemplated thereunder, which were arrived at after arm's length negotiations between the Company and the Investor, 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

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 Notes 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 Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. Please refer to the section headed “The Convertible Notes — The Subscription Agreement” above for further information.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended pending fulfilment of the Resumption Guidance (as defined in the announcement of the Company dated 24 May 2023) and any supplement or modification thereof.

As the Subscription Agreement may or may not complete, the Convertible Notes 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 securities of the Company.

DEFINITIONS

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

“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)
“Conversion Price”	the price at which the New Shares will be issued upon conversion of the Convertible Notes which will be HK\$0.465 per Share
“Convertible Notes”	the convertible notes due 2026 in the aggregate principal amount of RMB400,000,000 proposed to be issued by the Company to the Investor under the Subscription Agreement
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the grant of the Specific Mandate; and (ii) the Subscription Agreement and the transaction contemplated thereunder
“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”	Sichuan Kaiyue Investment Company Limited* (四川凱越投資集團有限公司), a limited liability company incorporated under the laws of the PRC
“Issue Date”	the date of issue of the Convertible Notes
“Last Trading Day”	31 March 2023, 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 Stock Exchange of Hong Kong Limited
“Maturity Date”	the date on which the Convertible Notes 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 Notes
“Noteholder(s)”	the holder(s) of the Convertible Notes from time to time
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of Shares

* *The English translation of the name is for reference only. The official name of the company is in Chinese.*

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Specific Mandate”	the specific mandate to allot and issue the New Shares to be proposed for approval as an ordinary resolution of the Shareholders of the EGM
“Subscription”	the subscription of the Convertible Notes by the Investor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Investor on 27 September 2024 in relation to the proposed issue of the Convertible Notes
“Terms and Conditions”	the terms and conditions governing the Convertible Notes
“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, 3 October 2024

As at the date of this announcement, the board of Directors comprises four executive Directors, namely, Mr. Yu Jianqiu (Chairman), Mr. Kwong Wai Sun Wilson, Mr. Gao Qiang and Ms. Zhu Yufen; and three independent non-executive Directors, namely, Mr. Li Wei, Mr. Fang Guanghua and Mr. Yu Renzhong.