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)

FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

This announcement is made by China Metal Resources Utilization Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 (2)(a) of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Group dated 6 June 2022, 3 August 2022, 5 August 2022, 3 January 2023, 28 March 2023, 24 May 2023, 25 May 2023, 30 June 2023, 14 August 2023, 15 September 2023, 29 September 2023, 13 October 2023, 29 December 2023, 23 February 2024, 28 March 2024, 19 June 2024, 28 June 2024 and 5 July 2024 in relation to, among others, the resumption guidance issued by the Stock Exchange to the Company on 19 May 2023 (the "**Resumption Guidance**") and the updates in respect of the debt restructuring and the bankruptcy reorganisation of Mianyang Tongxin Copper Co., Ltd. (綿陽銅鑫銅業有限公司) ("**Tongxin**"), Mianyang Jin Xunhuan Metal Materials Co., Ltd. (綿陽金循環金屬材料有限公司) ("**Jin Xunhuan**"), Mianyang Baohe Taiyue Communications Cable Co. Ltd. (綿陽保和泰越通信線纜有限公司) ("**Taiyue**"), Hunan Yinlian Xiangbei Copper Co., Ltd. (湖南銀聯湘北銅業有限公司) ("**Yinlian Xiangbei**") and Hubei Rongsheng Copper Co., Ltd (湖北融晟金屬製品有限公司) ("**Hubei Rongsheng**") (together, the "**Relevant Subsidiaries**"). References are also made to the announcements of the Group dated 27 March 2015, 9 April 2015, 13 April 2015, 9 April 2017, 12 April 2017, 31 July 2017, 11 August 2017, 12 August 2019, 22 April 2020, 7 May 2020, 31 December 2021, 22 February 2022 and 31 March 2022 and the circular of the Company dated 4 February 2022 in relation to, among others, the issue, maturity and extension of the convertible bonds (the "**Huarong Convertible Bonds**") issued to China Huarong International Holdings (formerly known as Huarong (HK) International Holdings Limited) ("**Huarong**"). Capitalised terms used herein shall have the same meanings as those defined in these announcements, unless the context otherwise requires.

FULFILMENT OF THE RESUMPTION GUIDANCE

The Company wishes to inform the Shareholders and the public that the Company has fulfilled the Resumption Guidance, with details as follows:

A. Resumption Guidance (a) — publish all outstanding financial results required under the Listing Rules and address any audit modifications

According to Rule 13.49(1), the Company should publish its 2022 Annual Results before 31 March 2023. However, the Company was unable to publish before 31 March 2023 as additional time was required to ascertain the carrying values of the trade and bill receivables and advance payment to suppliers. As such, the trading of the Shares was suspended from 3 April 2023. Despite the publication of the Company's annual results for the year ended 31 December 2022 on 31 January 2024, there was a further delay in publication in the Company's subsequent financial results as the Company required further funds to settle outstanding professional and administrative fees for the necessary financial reporting work.

The Company obtained a loan in the principal amount of RMB12 million in the third quarter of 2024, which enabled the Company to settle outstanding fees with its professional parties. Accordingly, the Company published its interim results for the six months ended 30 June 2023, the audited financial results for the year ended 31 December 2023, and the interim results for the six months ended 30 June 2024 on 2 October 2024. The Company subsequently published its annual report for the year ended 31 December 2022 and its interim report for the six months ended 30 June 2023 on 1 November 2024; and its annual report for the year ended 31 December 2023 and its interim report for the six months ended 30 June 2024 on 8 November 2024.

The timeline of the auditors' work in respect of the Company's consolidated financial statement for the year ended 31 December 2023 is summarised as follows:

Throughout the year of 2023	The Auditor obtained and assessed certain latest financial information of the Group for the year ended 31 December 2023 ("**FY2023**") for subsequent period check for the purpose of FY2022 audit issued on 31 January 2024
Late December 2023	Fixed assets take and inventories take were performed by the auditor
3 June 2024	FY2023 Audit engagement letter had been signed between the auditor and the Group
June 2024 to September 2024	Execution of overall FY2023 audit work
2 October 2024	Issuance of independent auditor's report for FY2023 Audit

For each of the consolidated financial statements of the Group for the years ended 31 December 2022 and 31 December 2023, the Company's external auditor, ZHONGHUI ANDA CPA Limited (中匯安達會計師事務所有限公司) (the "**Auditor**"), expressed:

(i) a disclaimer of opinion on material uncertainties relating to the Group's going concern, and

(ii) a qualified opinion on balances and profit or loss effect on certain trade receivables and advance payments to suppliers (the "**Outstanding Receivables**").

Disclaimer of Opinion on material uncertainties relating to going concern (the "Disclaimer of Opinion")

The Disclaimer of Opinion relates to a number of events or conditions that indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, such as the net loss recorded for two consecutive years ended 31 December 2022 and 2023, net current liabilities and net liabilities position as at 31 December 2022 and 2023, the default on the repayment of interest-bearing bank and other borrowings and note payables, and certain litigation which resulted in, amongst others, freezing of bank accounts.

The Company is of the view that the Disclaimer of Opinion can be resolved in the year ending 31 December 2024, given that the following measures can be completed for the year ending 31 December 2024, among other things:

(a) the Group's progress of the Debt Restructuring of the Relevant Subsidiaries,

(b) the Group's progress in negotiating with Huarong for the further extension of the Huarong Convertible Bonds,

(c) the entering into extension and/or refinancing agreements with the Group's creditors in respect of other outstanding debts, and

(d) the expected improvement in the Group's financial performance and cash flow following the resumption of production in the Group.

Qualified Opinion on balances and profit or loss effect on certain trade receivables and advance payments to suppliers (the "Qualified Opinion")

The Qualified Opinion relates to the Outstanding Receivables which are past due and/or have not been settled up to the date of 2022 and 2023 annual report. Also, no negotiation result has been finalised among the Group and the debtors of the Outstanding Receivables up to the date of 2022 and 2023 annual report. The management is still in progress on negotiating with and considering taking appropriate action to the debtors. The management considered that the chance of recovering the Outstanding Receivables to be remote and had recognised provision for doubtful debts for each of the years ended 31 December 2022 and 2023. Due to the above uncertainties, the Auditor expressed a qualified opinion on the sufficiency, adequacy and extent of the provision for doubtful debts made by the management on Outstanding Receivables for the years ended 31 December 2022 and 2023 and the recoverability of the Outstanding Receivables as at 31 December 2022 and 2023.

The Company expects that the Qualified Opinion will be resolved in the year ending 31 December 2026, given that the following measures can be completed for the year ending 31 December 2024, among other things:

(a) the Group's progress in seeking buyers for the Outstanding Receivables and the disposal and recovery of the Outstanding Receivables,

(b) the completion of the Debt Restructuring of the Relevant Subsidiaries, and

(c) the impairment assessment on the Outstanding Receivables will be properly performed with a satisfactory result.

As at the date of this announcement, there has been no further successful sale of the Outstanding Receivables. The Outstanding Receivables are expected to be further impaired for the year ending 31 December 2024 under the expected credit loss model, assuming similar parameters and assumption being adopted as compared with those adopted for the year ended 31 December 2023. As further communicated with the Auditor, the significance of the financial impact of the Outstanding Receivables on the consolidated financial statement will be considered for the coming audit. If the Outstanding Receivables can be 1) recovered and/or properly disposed to buyers; or 2) if the Outstanding Receivables is proven to be uncollectible and fully impaired with satisfactory audit result during the year ending 31 December 2024, the audit modification can be ultimately removed in the year ending 31 December 2026.

In view of the above, the Company considers that Resumption Guidance (a) is adequately fulfilled.

B. Resumption Guidance (b) — demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Company is of the view that the Group has a viable and sustainable business with sufficient level of operations and assets of sufficient value to support its operations, as demonstrated as follows:

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. The Group operates its business mainly through the Relevant Subsidiaries.

Sufficient level of operations and assets of sufficient value to support its operations

The Mianyang Subsidiaries and their operations

Tongxin, Jin Xunhuan and Taiyue (the "**Mianyang Subsidiaries**") had filed for bankruptcy reorganisation and their operations ceased in April 2021. In 2023, Sichuan Kaiyue Investment Group Co., Ltd. (四川凱越投資集團有限公司) ("**Kaiyue Group**") provided the Group with a loan in the principal amount of RMB80 million, which had led to the re-commencement of operations of the Mianyang Subsidiaries on 1 June 2023.

The Mianyang Subsidiaries rented the facilities, equipment and production qualification of Tongxin to carry out business operations in the Mianyang Region. These Mianyang Subsidiaries own self-built factories, two continuous casting and rolling lines (連鑄連軋線), and related supporting facilities. Upon resumption of operations in June 2023, certain facilities were replaced, and upgraded, enabling a processing capacity of 100,000 tons of recycled copper per year. The technical staff are well-equipped, and prepared to fulfill the staffing requirements of 195 people for the concurrent operation of both lines.

(a) For the one-year period ended 30 September 2024, the Mianyang Subsidiaries recorded production of approximately 21,000 tonnes of products, and a gross sales of approximately RMB1.45 billion (including 13% VAT).

(b) For the year ended 31 December 2023, the Mianyang Subsidiaries have achieved a total revenue of approximately RMB813 million.

Since the resumption of operations of the Mianyang Subsidiaries, they have renewed sales agreements with 90 out of its 125 former downstream clients, and there have been no instances of default of receivables incurred by the Mianyang Subsidiaries. In addition, the Mianyang Subsidiaries have long-term contracts with production of approximately 2,300 tons per month to be fulfilled.

As at the date of this announcement, the Mianyang Subsidiaries remain in bankruptcy reorganisation, and the capacity utilisation of the Mianyang Subsidiaries is approximately 20%. The Company is of the view that the utilisation of the Mianyang Subsidiaries will increase once additional funding is made available.

Hubei Rongshang and its operations

Hubei Rongshang's production process includes raw material recycling, sorting, packaging, smelting, and sales. Hubei Rongsheng owns over 42 acres of self-owned land, and rents a factory adjacent to its self-owned land which houses its manufacturing facilities, including two refining furnaces, and owns one continuous casting and rolling line with related supporting facilities, enabling a processing capacity of 40,000 tons of recycled copper per year. Additionally, there is an upward casting furnace production line with the main equipment installed. Once the production line is fully equipped, the processing capacity will reach 20,000 tons of recycled copper per year. The technical staff are well-equipped.

Hubei Rongshang has entered the pre-reorganisation stage. Even though Hubei Rongshang has ceased operations since July 2022, the Company is of the view that Hubei Rongsheng's operations will re-commence three months after new capital is made available.

Yinlian Xiangbei and its operations

Yinlian Xiangbei's production process includes raw material recycling, sorting, packaging, smelting, and sales. Yinlian Xiangbei owns over 36 acres of self-purchased land, self-built factories of approximately 20,000 square meters, one continuous casting and rolling line with related supporting facilities, enabling a processing capacity of 50,000 tons of recycled copper per year. It also has one production line for anode plate with a production capacity of 40,000 tons per year. The technical staff are well-equipped. Even though Yinlian Xiangbei has ceased operations in January 2021, given the amount of debt is relatively small for Yinlian Xiangbei, the Company is of the view that production can resume as soon as working capital is in place.

The Metal Trading Business

The Group engages in the metal trading business through a number of trading companies within the Group (the "**Metal Trading Business**"). Such business began in 2017 in order to satisfy the diverse needs of the Company's customers. For the years ended 31 December 2022 and 2023, the total revenue derived from the Metal Trading Business was approximately RMB1.7 billion and RMB24 million, respectively.

In 2023, in order to re-focus the use of the Company's capital to facilitate other businesses of the Group, the Metal Trading Business has gradually suspended in phases. Notwithstanding the temporary suspension of the Metal Trading Business, the Company has maintained relationships with the customers and suppliers of the Metal Trading Business, as well as employees who specialise in the Metal Trading Business. As such, the Company is of the view that, once additional funding is available, the Company will resume the Metal Trading Business and the Metal Trading Business will be an additional viable and sustainable business operated by the Group.

Financial Results of the Group

Notwithstanding the above, the Group has reported a gross loss of approximately RMB111.9 million for the year ended 31 December 2023, and a gross loss of approximately RMB33.79 million for the six months ended 30 June 2024. The Company is of the view that the incurrence of gross loss of the Group is typical for companies operating in the recycled copper industry in which profit (or loss) is largely dependent on copper prices during the relevant year.

In addition, for the year ended 31 December 2023, (a) the gross loss recorded by the Group's operating subsidiaries in the PRC was approximately RMB111 million. However, after adding other income (comprising, (i) VAT refunds amounting to 30% on VAT of production related income pursuant to the Ministry of Finance and State Administration of Taxation Announcement No. 40 of 2021, which is a tax rebate mechanism to balance the normal tax burden of the industry and (ii) government grants from the local governments to incentivise the resources recycling sector) of RMB44.41

million, the gross loss would be reduced to RMB67.49 million; and (b) with respect to the manufacturing companies, they have recorded a gross loss of RMB70.75 million, However, by adding the other income (tax rebates) of RMB44.16 million, the gross loss would be reduced to RMB26.59 million. These manufacturing companies sustained a gross loss position because (a) there was a net income (tax rebates) of RMB29.36 million which was due but not received, and (b) the fixed manufacturing cost of RMB3.53 million resulting from Taiyue's suspended communication cable production line was borne by the Group. Therefore, without the effect of the above two events, the actual operating gross profit of the manufacturing companies in the relevant period should be RMB6.3 million; and (c) the trading companies have recorded a gross loss of RMB38.39 million. This is mainly due the trade price deficit loss of RMB30.71 million caused by factors including the Company's cash flow difficulties.

For the six months ended 30 June 2024, (a) The gross loss of the Group's operating subsidiaries in the PRC was RMB33.79 million. However, after adding other income (VAT refunds and government grants as described above) of RMB33.43 million, the gross loss would be reduced to RMB0.36 million; (b) With respect to the manufacturing companies, they recorded a gross loss of RMB32.66 million. However, after adding other income (tax rebates) of RMB33.14 million, they will record a profit of RMB0.48 million. This is mainly due to (1) there was a net income (tax rebates) of RMB1.30 million which was due but not received; and (2) the fixed manufacturing cost of RMB1.52 million resulting from Taiyue's suspended communication cable production line which was borne by the Group. Therefore, without the effect of the above two events, the actual operating gross profit of the manufacturing companies in the relevant period should be RMB3.29 million; and (c) With respect to the trading companies, they recorded a gross loss of RMB0.83 million. This is mainly due to the fixed manufacturing cost borne by the suspended production line and tax payment by the Company.

The Company is therefore of the view that the Group's production and operations have the capability to generate profits without interference of certain special events. For further details of the Group's financial results, please refer to the Company's annual report for the year ended 31 December 2023, and the interim report for the six months ended 30 June 2024.

Liabilities of the Group

The Company wishes to further inform the Shareholders and the public of the details of liabilities incurred by the Group.

Liabilities incurred by the Company

As of 30 June 2024, the liabilities incurred by the Company amount to approximately RMB377 million, which includes the sum of approximately (i) RMB281 million due to Huarong under the Huarong Convertible Bonds, which is secured by a share pledge provided by Epoch Keen Limited in respect of 200,000,000 Shares; and guaranteed by Mr. Yu Jianqiu personally; (ii) note payables and their accrued interests of RMB50 million in aggregate; and (iii) accrued salary and accrued expenses of RMB46 million As at the date of this announcement, the Company is still in negotiations and communications with its creditors. Nonetheless, to the best of the Company's knowledge, the counterparties have not taken any further legal action or actions to accelerate its claim against the Group. In particular, representatives of Huarong have explored ways to assist and have provided suggestions to the Company in overcoming the financial difficulties.

Liabilities incurred by the Relevant Subsidiaries

Out of the approximately RMB1,807 million of debt incurred by the Relevant Subsidiaries, approximately RMB159 million of debt is guaranteed by the Company.

Despite the appointment of an administrator, the Company still retains control over the Relevant Subsidiaries. The key management personnel and important staff positions within the Relevant Subsidiaries remain unchanged. The Relevant Subsidiaries continue to operate according to their respective previous business processes (e.g. pricing and selection of customers and suppliers). The administrator and the Company's management team discuss and strategise together only for significant events impacting creditors' interests (such as introducing new investors to the Company, confirming debts incurred, and the disposal of assets). The administrator only oversees the Relevant Subsidiaries' assets and supervises its finances to protect the interests of the entity and its creditors.

The Company has been working closely with the relevant creditors, administrators and professional advisors in devising an appropriate bankruptcy reorganisation and debt restructuring plan (the "**Debt Restructuring Plan**"), the major steps of which includes the following:

(a) **Conversion of debt to equity:** subject to the resumption of the trading of the Shares, the state-owned creditors shall convert certain of their debt in the principal amount of approximately RMB510 million into Shares at a conversion price of HK$0.465 (representing a significant premium compared to the last closing price of the Shares at HK$0.048), which is expected to result in the issue of 1,205,926,738 new Shares (representing approximately 26.91% of the total issued Shares as at the date of this Announcement);

(b) **Revised debt repayment schedule:** a revised instalment schedule has been proposed by the Company for the remainder of the debt whereby the Relevant Subsidiaries shall repay its outstanding amount in tranches over a period of six years. The revised instalment schedule will be presented in the third creditors' meeting, to be further coordinated amongst the relevant parties;

(c) **New funds:** the Company is actively securing new investment from new investors, some of which have executed non-disclosure agreements and commenced due diligence process in the Company. Such discussions had led to the signing of certain strategic framework agreement, and a convertible note subscription agreement in September 2024. For further details of the convertible note, please refer to the Company's announcement dated 3 October 2024. Based on preliminary discussion with its shareholders, the Company understands that a majority of its shareholders is supportive of the Company's financing plans and the Company is of the view that the requisite specific mandate can be obtained. The Company intends to move forward with the convertible note as soon as practicable upon resumption of trading.

The Company is of the view that, the liabilities incurred by the Relevant Subsidiaries would be settled in the future due to the following:

(a) There has been substantial progress in the Debt Restructuring of the Relevant Subsidiaries, which comprise, among others, the conversion of debt-to-equity and revision of debt repayment schedule;

(b) Given the commencement of the Debt Restructuring of the Relevant Subsidiaries, interest stops to accrue and litigation actions will be put to a freeze under the relevant PRC laws;

(c) The Group is actively negotiating for extension and refinancing for the outstanding liabilities, including the conversion from debt to equity and repayment through instalment plans; and

(d) Upon resumption of production in the Group, there would be cash flow available to settle the outstanding liabilities.

The Company and the administrators are waiting for the resumption of trading in the Shares before conducting further negotiations with investors and creditors. Upon finalization of the draft Debt Restructuring Plan, the draft plan will be submitted to the court. Upon receiving the draft, the court will convene a creditors' meeting within 30 days to vote on the plan. If the creditors' approval is obtained, the court will authorise execution of the Debt Restructuring Plan and the reorganization process will be complete. The reorganisation is expected to be completed within 12 months of the resumption of trading in the Shares.

Liabilities incurred by the other Subsidiaries

Out of the approximately RMB2,855 million of debt incurred by the other Subsidiaries, approximately RMB552 million of debt is guaranteed by the Company, all of which is subject to discussion with state-owned creditors on a potential debt-to-equity conversion. For the other outstanding liabilities, to date, none of the creditors has taken any liquidation action against these companies. Whilst the Company intends prioritise utilising available cash to resume the operations of the Group, having considered the interests of the Shareholders a as whole, it shall assess the Group's financial situation on a continuous basis and settle its liabilities as appropriate. Nonetheless, given majority of these subsidiaries do not hold any facilities, licenses or assets, the Company is of the view that litigation risk arising out of these companies is low and it is unlikely going to adversely impact the Group's operations. For subsidiaries which hold certain manufacturing facilities, the Company is of the view that litigation risk is also low, and in the worst case scenarios, these subsidiaries will also commence bankruptcy restructuring proceedings, in which case the interest and VAT shall be waived. Accordingly, it is unlikely going to adversely impact the Group's operation.

The Company is currently negotiating for a debt-to-equity conversion and discounted payment instalment arrangements with its creditors, which is expected to complete within one year from the date of this announcement, and the relevant arrangements would be implemented within two years from the date of this announcement.

In light of the above, the Company is of the view that there is limited liquidity risk, and there is no additional litigation risk against the Relevant Subsidiaries given the commencement of the bankruptcy restructuring proceedings, and in the worst-case scenario, the liquidation of the other Subsidiaries will not cause a material adverse impact to the Group's operations.

Looking Forward

The Company, after due and careful enquiry and taking into account the resumption of operations of the Group and the additional injection of capital into the Group in the future, considers that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this announcement, having considered the following:

(a) **Convertible Note:** Reference is made to the Company's announcement dated 3 October 2024 in relation to, among other things, the proposed issue of convertible notes by the Company to Sichuan Kaiyue Investment Company Limited (四川凱越投資集團有限公司) ("**Sichuan Kaiyue**"). Upon the resumption of trading in the shares of the Company on the Stock Exchange and obtaining the necessary approvals (including a specific mandate from the Shareholders), the Company will issue convertible notes to Sichuan Kaiyue in the principal amount of RMB400 million, for which the proceeds will be used in, among others, the procurement of raw materials to facilitate the resumption of production in the Relevant Subsidiaries.

(b) **Resumed operations of the Mianyang Subsidiaries:** As mentioned above, the Mianyang Subsidiaries have re-commenced operations since June 2023, and have been capable of and is expected to be capable of generating sufficient working capital to support their operations for the next 12 months. The Company is of the view that, even assuming there is no additional funding, the Relevant Subsidiaries can maintain sufficient working capital to support its operations for the next 12 months with an aggregate annual production of approximately 30,000 tons, and anticipated sales of approximately RMB2.3 billion, among which RMB1.9 billion from recycling processing and RMB0.4 billion from trading.

(c) **Resumed operations of the other subsidiaries:** Operations of Hubei Rongshang and Yinlian Xiangbei are expected to re-commence within three months of the settlement of the RMB400 million convertible note, which shall be used to procure raw material, settle salary expenses and in maintenance of fixed assets and other expenditures. The Group's Metal Trading Business is also expected to re-commence within three months of the settlement of the convertible note.

(d) **Government support:** the local government has been supportive of the resumption of trading in the Shares and the Debt Restructuring, as evidenced by the various meetings between the representatives of the local government and the Company.

C. Resumption Guidance (c) — inform the market of all material information for the Company's shareholders and investors to appraise the Company's position

Since the suspension of trading in the Shares of the Company on 3 April 2023, the Company has continued to disclose material information relating to the cause of its suspension, including quarterly updates, and the debt restructuring progress updates. Accordingly, the Company has announced all material information it considers necessary and appropriate for the Shareholders and investors to appraise the Company's position.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 22 November 2024.

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

Hong Kong, 21 November 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.