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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)

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 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

Hubei Rongshang has entered the pre-reorganisation stage.

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 re

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

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 202(f)-558.549

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.