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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 NEW SHARES UNDER SPECIFIC MANDATE (2) PROPOSED AMENDMENT AND EXTENSION OF MATURITY DATE OF THE HUARONG CONVERTIBLE BONDS

PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

The Directors are pleased to announce that, on 31 December 2021 (after trading hours), (i) the Company and Huarong entered into the Huarong Subscription Agreement and (ii) the Company and Prosper Rich entered into the Prosper Rich Subscription Agreement. Pursuant to the Subscription Agreements, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 1,025,537,194 Subscription Shares at the Subscription Price of HK\$0.465 per Subscription Share.

The 1,025,537,194 Subscription Shares to be allotted and issued to the Subscribers represent (i) approximately 29.67% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the date of this announcement; and (ii) approximately 22.88% of the Company's issued share capital of 4,481,557,261 Shares as enlarged by the issue and allotment of the Subscription Shares (assuming there will be no other changes in the issued share capital of the Company between the date of this announcement and the Completions).

The Subscription Price of HK\$0.465 per Subscription Share was determined after arm's length negotiations between the Company and the Subscribers with reference to the recent trading price of the Shares. The Subscription Price represents (i) a premium of approximately 167.2% to the closing price of HK\$0.174 per Share as quoted on the Stock Exchange on 31 December 2021, being the date of the Subscription Agreements; (ii) a premium of approximately 161.2% to the average closing price of HK\$0.178 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreements; and (iii) a premium of approximately 162.6% to the average closing price of HK\$0.177 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Subscription Agreements.

The Subscription Considerations payable by the Subscribers to the Company shall be set off against the equivalent amount of the outstanding liabilities owed by the Company to each of the Subscribers under the Convertible Bonds on a dollar-for-dollar basis upon Completions. In particular, the outstanding liabilities of the Company under the Prosper Rich Convertible Bonds will be set off in full by the Prosper Rich Subscription Consideration on a dollar-for-dollar basis. Accordingly, no cash proceeds will be received by the Company from the Subscriptions.

The Subscription Shares will be issued pursuant to the Subscription Specific Mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

PROPOSED AMENDMENT AND EXTENSION OF MATURITY DATE OF THE HUARONG CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 22 April 2020 and 7 May 2020 in relation to, inter alia, the previous maturity, amendment and extension of the Huarong Convertible Bonds. The Huarong Convertible Bonds have matured on 11 August 2020. As the Huarong Convertible Bonds have matured, the Board announces that on 31 December 2021, the Company has entered into the Huarong Amendment Documents which, amongst others, propose to amend certain terms of the Huarong Convertible Bonds and to extend the Huarong Maturity Date. On the same date, Huarong issued the Huarong Waiver Letter pursuant to which Huarong waived the conversion right under the Huarong Convertible Bonds Subscription Agreement.

As the Amendments require mutual agreement between the Company and Huarong, the Amendments would not take place automatically pursuant to the original terms and conditions of the Huarong Convertible Bonds. Accordingly, the Stock Exchange would treat the Amendments as a new arrangement for the Company to issue the Huarong Convertible Bonds. The Company will therefore apply to the Stock Exchange for the approval of (i) the Amendments; and (ii) the listing of and permission to deal in the New Shares on the Stock Exchange.

The New Shares will be issued pursuant to the Convertible Bonds Specific Mandate. The Amendments are subject to the approval of the Shareholders and the Stock Exchange granting its approval for the Amendments.

Shareholders and potential investors should note that the Huarong Completion and the Prosper Rich Completion are subject to the fulfillment of conditions under the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement respectively and may or may not proceed. The Amendments are also subject to fulfilment of certain conditions precedent and may or may not take effect. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

Proposed issue of new Shares under specific mandate

The Directors are pleased to announce that, on 31 December 2021 (after trading hours):

1. the Company and Huarong entered into the Huarong Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Huarong has conditionally agreed to subscribe for 500,000,000 Shares at a Subscription Price of HK\$0.465 per Subscription Share; and
2. the Company and Prosper Rich entered into the Prosper Rich Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Prosper Rich has conditionally agreed to subscribe for 525,537,194 Shares at a Subscription Price of HK\$0.465 per Subscription Share.

Upon the Completions, (i) the outstanding liabilities of the Company under the Prosper Rich Convertible Bonds will be set off in full by the Prosper Rich Subscription Consideration on a dollar-for-dollar basis and (ii) the Huarong Subscription Consideration shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Huarong Convertible Bonds on a dollar-for-dollar basis and the maturity date of the remaining portion of the outstanding principal amount and accrued interests under the Huarong Convertible Bonds shall be extended pursuant to the Amendments.

Proposed amendment and extension of maturity date of the Huarong Convertible Bonds

Reference is made to the announcements of the Company dated 22 April 2020 and 7 May 2020 in relation to, inter alia, the previous maturity, amendment and extension of the Huarong Convertible Bonds. Terms defined in the announcement of the Company dated 22 April 2020 shall have the same meaning when used in this announcement unless otherwise specified.

As the Huarong Convertible Bonds have matured and the Huarong Subscription Consideration will not fully set off the outstanding principal amount and accrued interests of the Huarong Convertible Bonds, the Board announces that on 31 December 2021 (after trading hours), the Company has entered into the Huarong 2nd Amendment Deed with Mr. Yu Jianqiu and Huarong.

I. SUBSCRIPTION OF NEW SHARES

The Huarong Subscription Agreement

Date

31 December 2021

Parties

- a. The Company, as the issuer; and
- b. Huarong, as the subscriber.

As at the date of the Huarong Subscription Agreement, Huarong holds 90,485,295 Shares, representing approximately 2.62% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the date of this announcement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Huarong is an Independent Third Party.

Number of the Huarong Subscription Shares

The 500,000,000 Shares to be allotted and issued to Huarong represent (i) approximately 14.47% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the date of this announcement, and (ii) approximately 11.16% of the Company's issued share capital of 4,481,557,261 Shares as enlarged by the issue and allotment of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completions save for the issue of the Subscription Shares).

Conditions Precedent of the Huarong Subscription Agreement

The Huarong Completion shall be subject to the following conditions being satisfied:

- (1) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before the Huarong Completion (save for any temporary suspension in trading pending the release of an announcement in connection with the Huarong Subscription Agreement), and neither the Stock Exchange nor the Securities and Futures Commission of Hong Kong has expressed that it will raise any objection against the listing status of the Shares due to the transactions contemplated under the Huarong Subscription Agreement or any reasons in connection with such transactions;
- (2) the Stock Exchange has granted the approval for the listing of the Huarong Subscription Shares under the Huarong Subscription Agreement, and such approval not having been revoked before the Huarong Completion;

- (3) the Company obtaining all approvals and/or consents required to complete the Huarong Subscription, including but not limited to shareholders' approval in general meeting for the Huarong Subscription (including any specific mandates) (if applicable), and the Huarong Subscription and the transactions contemplated thereunder are in compliant with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant laws and regulations of the Cayman Islands and Hong Kong), and such approvals and/or consents remain in full force and effect up to and include the date of the Huarong Completion, and the relevant authorities have not implemented any rules or regulations that would prohibit or substantially delay the Huarong Completion; and
- (4) Huarong has obtained all required consents and approvals for the transactions contemplated under the Huarong Subscription Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of conditions (1) to (3) above as soon as practicable. Huarong shall use all reasonable endeavours to procure the fulfillment of condition (4) above as soon as practicable. None of the above conditions may be waived by any party to the Huarong Subscription Agreement. In the event that all the conditions have not been fulfilled by the Huarong Long Stop Date or such other date as the parties to the Huarong Subscription Agreement may agree, the Huarong Subscription Agreement will be terminated and lapse and the obligations of the parties under the Huarong Subscription Agreement will be released, except for certain specified provisions and legal responsibilities arising from the antecedent breach.

The Huarong Completion

The Huarong Completion shall take place no later than two business days following the fulfillment of the conditions above or such other date as agreed by the Company and Huarong.

On the Huarong Completion, the Company and Huarong will enter into a deed of set-off, pursuant to which the Huarong Subscription Consideration in the sum of HK\$232,500,000 payable by Huarong to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Huarong Convertible Bonds on a dollar-for-dollar basis.

The Prosper Rich Subscription Agreement

Date

31 December 2021

Parties

- a. The Company, as the issuer; and
- b. Prosper Rich, as the subscriber.

As at the date of the Prosper Rich Subscription Agreement, Prosper Rich holds 28,782,074 Shares, representing approximately 0.83% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the date of this announcement. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Prosper Rich and its ultimate beneficial owner and sole shareholder, namely Ms. Lisa Leung, are both Independent Third Parties. As at the date of the Prosper Rich Subscription Agreement, Ms. Lisa Leung was interested in an aggregate of 32,090,074 Shares, representing approximately 0.93% of the existing issued share capital of the Company as at the date of this announcement.

Number of the Prosper Rich Subscription Shares

The 525,537,194 Shares to be allotted and issued to Prosper Rich represent (i) approximately 15.21% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the date of this announcement; and (ii) approximately 11.73% of the Company's issued share capital of 4,481,557,261 Shares as enlarged by the issue and allotment of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completions save for the issue of the Subscription Shares).

Conditions Precedent of the Prosper Rich Subscription Agreement

The Prosper Rich Completion shall be subject to the following conditions being satisfied:

- (1) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before the Prosper Rich Completion (save for any temporary suspension in trading pending the release of an announcement in connection with the Prosper Rich Subscription Agreement), and neither the Stock Exchange nor the Securities and Futures Commission of Hong Kong has expressed that it will raise any objection against the listing status of the Shares due to the transactions contemplated under the Prosper Rich Subscription Agreement or any reasons in connection with such transactions;
- (2) the Stock Exchange has granted the approval for the listing of the Prosper Rich Subscription Shares under the Prosper Rich Subscription Agreement, and such approval not having been revoked before the Prosper Rich Completion;

- (3) the Company obtaining all approvals and/or consents required to complete the Prosper Rich Subscription, including but not limited to shareholders' approval in general meeting for the Prosper Rich Subscription (including any specific mandates) (if applicable), and the Prosper Rich Subscription and the transactions contemplated thereunder are in compliant with the relevant laws and regulations (including but not limited to the Listing Rules and the relevant laws and regulations of the Cayman Islands and Hong Kong), and such approvals and/or consents remain in full force and effect up to and include the date of the Prosper Rich Completion, and the relevant authorities have not implemented any rules or regulations that would prohibit or substantially delay the Prosper Rich Completion; and
- (4) Prosper Rich has obtained all required consents and approvals for the transactions contemplated under the Prosper Rich Subscription Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of conditions (1) to (3) above as soon as practicable. Prosper Rich shall use all reasonable endeavours to procure the fulfillment of condition (4) above as soon as practicable. None of the above conditions may be waived by any party to the Prosper Rich Subscription Agreement. In the event that all the conditions have not been fulfilled by the Prosper Rich Long Stop Date or such other date as the parties to the Prosper Rich Subscription Agreement may agree, the Prosper Rich Subscription Agreement will be terminated and lapse and the obligations of the parties under the Prosper Rich Subscription Agreement will be released, except for certain specified provisions and legal responsibilities arising from the antecedent breach.

The Prosper Rich Completion

The Prosper Rich Completion shall take place no later than two business days following the fulfillment of the conditions above or such other date as agreed by the Company and Prosper Rich.

On the Prosper Rich Completion, the Company and Prosper Rich will enter into a deed of set-off, pursuant to which the Prosper Rich Subscription Consideration in the sum of HK\$244,374,795 payable by Prosper Rich to the Company shall be set off against the equivalent amount of the outstanding principal amount and accrued interests under the Prosper Rich Convertible Bonds on a dollar-for-dollar basis, which represent all the outstanding principal amount and accrued interests under the Prosper Rich Convertible Bonds.

Upon the Prosper Rich Completion and the occurrence of the set-off arrangement described above, each of the Company and Prosper Rich agrees to irrevocably and unconditionally fully release and discharge the other party from all claims, liabilities and demands available to it and any claims, right or liabilities which have accrued to it against or are owed to it by any of the other party under or in connection with the Prosper Rich Convertible Bonds.

Subscription Price for both the Huarong Subscription and the Prosper Rich Subscription

The Subscription Price of HK\$0.465 per Subscription Share represents:

- (i) a premium of approximately 167.2% to the closing price of HK\$0.174 per Share as quoted on the Stock Exchange on 31 December 2021, being the date of the Subscription Agreements;
- (ii) a premium of approximately 161.2% to the average closing price of HK\$0.178 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreements; and
- (iii) a premium of approximately 162.6% to the average closing price of HK\$0.177 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the recent trading price of the Shares. The Directors consider that the terms and conditions of the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will be fully paid and rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of such Subscription Shares.

Application for Listing

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares on the Stock Exchange.

Reasons for the Issue of the Subscription Shares and Use of Proceeds

The Huarong Convertible Bonds currently carries interest at 12% per annum, and its principal amount and accrued interest have been due for repayment in full on 11 August 2020. As at the date of this announcement, the outstanding liabilities owed to Huarong amounted to HK\$460,233,874. The Prosper Rich Convertible Bonds carries interest at 6% per annum, and its principal amount and accrued interest have been due for repayment in full on 11 August 2020. As at the date of this announcement, the outstanding liabilities owned to Prosper Rich amounted to HK\$244,374,795. The Directors consider that the Group's business would be better financed by equity rather than short-term debts that will adversely affect the profit margin of the Group. Accordingly, the Directors believe that it will be beneficial to the Group to implement the Subscriptions and the set-off arrangement thereunder in relation to (i) all the outstanding liabilities under the Prosper Rich Convertible Bonds; and (ii) part of the outstanding liabilities under the Huarong Convertible Bonds with a view to alleviating the impact on the Company's cash flow position upon repayment of the Convertible Bonds in full.

In view of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Subscriptions (including the Subscription Considerations and the set-off arrangement thereunder) are on normal commercial terms and fair and reasonable, and the Subscriptions are in the interests of the Company and the Shareholders as a whole.

II. AMENDMENT AND EXTENSION OF THE HUARONG CONVERTIBLE BONDS

The Huarong 2nd Amendment Deed

Date

31 December 2021

Parties

- a. The Company, as the issuer of the Huarong Convertible Bonds;
- b. Mr. Yu Jianqiu, chairman and executive director of the Company as the guarantor; and
- c. Huarong, as the sole holder of the Huarong Convertible Bond.

Huarong Effective Date

The amendments under the Huarong 2nd Amendment Deed and the Huarong 2nd Supplemental Convertible Bond Instrument shall take effect on the Huarong Effective Date, namely when Huarong gives the Huarong Effective Date Notice or such other date as Huarong and the Company may agree.

Conditions Precedent of the Huarong 2nd Amendment Deed

Huarong shall notify the Company by way of the Huarong Effective Date Notice as soon as reasonably practicable upon the receipt of the following documents by Huarong:

1. Corporate documentation:
 - a. a copy of the board resolution of each of the Company and Epoch Keen Limited, an entity wholly-owned by Mr. Yu Jianqiu;
 - b. a copy of a resolution of the board of directors of Prosper Rich;
 - c. a copy of a resolution of the board of directors of Engen Investments Limited, a wholly-owned subsidiary of the Company;

- d. a copy of the resolution of the internal decision-making body of each of Hunan Yinlian Xiangbei Copper Co., Ltd* 湖南銀聯湘北銅業有限公司 and Mianyang Tongxin Copper Co., Ltd* 綿陽銅鑫銅業有限公司, both of which are indirect wholly-owned subsidiaries of the Company, approving the respective terms of, and the transactions contemplated by, the termination agreements of the relevant security documents in relation to the Huarong Convertible Bonds;
 - e. a certificate of each of the Company and Epoch Keen Limited confirming, amongst others, its entry and delivery of each of the Huarong Amendment Documents to which it is a party and the exercise of its rights or performance of its obligation under each of the Huarong Amendment Documents to which it is a party will not breach any borrowing, securing, guaranteeing or other power or restriction binding on it or its subsidiaries under its articles of association and the copies of its constitutional documents and specimen signature in Huarong's possession remain correct, complete and in full force;
 - f. a certificate of incumbency and certificate of good standing in respect of the Company dated not earlier than one month before the date of the Huarong 2nd Amendment Deed; and
 - g. a certificate of incumbency and certificate of good standing in respect of each of Epoch Keen Limited and Engen Investments Limited dated not earlier than one month before the date of the Huarong 2nd Amendment Deed.
2. Amendment Documents:
- a. A duly executed original of each Huarong Amendment Document;
3. Other documents and evidence:
- a. an original deed of termination duly executed by Prosper Rich, the Company and Huarong in respect of a subordination deed dated 31 July 2017;
 - b. original documents in relation to the release and/or termination of security documents in relation to the Huarong Convertible Bonds;
 - c. a copy of the resolution of the Shareholders duly passed at the general meeting of the Company approving the Convertible Bonds Specific Mandate;
 - d. evidence that the Supplemental Listing Approval (if required) and the approval by the Stock Exchange for the Amendments (if required) have been obtained;
 - e. a copy of the resolution of the Shareholders duly passed at the general meeting of the Company approving, among others, (i) the Huarong Subscription and the Huarong Subscription Agreement; and (ii) the terms of, and the transactions contemplated by, each of the Huarong Amendment Documents to which the Company is a party and resolving that it shall execute and deliver each of the Huarong Amendment Documents to which it is a party;

- f. evidence that the Huarong Subscription has been completed;
- g. an original of the warning notice duly executed by Mr. Yu Jianqiu; and
- h. a copy of any other authorisation or another document, opinion, or assurance which Huarong considers to be necessary or desirable (if it has notified the Company accordingly) in connection with the entry into and performance of the transactions contemplated by any Huarong Amendment Document or for the validity and enforceability of any Huarong Amendment Document.

Amendments

With effect from the Huarong Effective Date, the Company and Huarong have agreed to the following amendments:

Principal: The outstanding principal amount of the Huarong Convertible Bonds is amended from HK\$390,000,000 to HK\$227,733,873.96, taking into account the set-off arrangement under the Huarong Subscription.

Maturity Date: The Huarong Maturity Date shall be extended to (i) 31 December 2022; or (ii) 31 December 2023 provided that the Company gives prior written notice to Huarong at least 60 business days before 31 December 2022 and Huarong gives its consent to such extension, or the next business day from 31 December 2022 or 31 December 2023 (as the case may be) if such date is not a business day.

Interest Rate:

- a. for the period from (and including) the date of issue of the Huarong Convertible Bonds to (and excluding) 12 August 2019, at the rate of 8% per annum;
- b. for the period from (and including) 12 August 2019 to (and excluding) 30 September 2021, at the rate of 12% per annum;
- c. for the period from (and including) 30 September 2021 to (and excluding) the Huarong Effective Date, at the rate of 12% per annum; and
- d. from (and including) the Huarong Effective Date, at the rate of 6% per annum.

Event of default:

The Company and Huarong have agreed that (i) Shares held by the management of the Company and their affiliates falling below certain level in respect of the issued share capital of the Company; and (ii) a change in actual controller of the Company, would not constitute events of default under the Huarong Convertible Bonds Terms and Conditions.

The Company and Huarong have further agreed to amend and include as events of default under the Huarong Convertible Bonds Terms and Conditions (i) decrease in Shares charged by Mr. Yu Jiangqiu (through Epoch Keen Limited) in favour of Huarong after the Huarong Effective Date; and (ii) failure by the Company to reduce certain of its indebtedness by 30 June 2022.

Guarantee and Security:

In relation to the original guarantees and share charges (the details of which are contained in the Company's announcements dated 31 July 2017 and 22 April 2020), confirmation deeds and agreements, amendment agreements, termination agreements and release agreement were executed to re-confirm, amend, terminate and/or release the guarantees and securities in respect of the Company's obligations under the Original Huarong Convertible Bonds Subscription Agreement, the Original Huarong Convertible Bonds Terms and Conditions and the Huarong 1st Amendment Agreement as amended by the Huarong 2nd Amendment Deed. In particular, 78,000,000 Shares out of the 278,000,000 Shares charged by Epoch Keen Limited in favour of Huarong would be released pursuant to the Deed of Partial Release.

For details of the Huarong Convertible Bonds, please refer to the Company's announcements dated 31 July 2017 and 22 April 2020.

The Huarong Waiver Letter

On 31 December 2021, Huarong issued the Huarong Waiver Letter in favour of the Company in respect of the conditional waiver granted by the Huarong with respect to the conversion rights under the Huarong Convertible Bonds Subscription Agreement. Pursuant to the Huarong Waiver Letter, Huarong waives its conversion rights and release the Company from its obligations under the Huarong Convertible Bond Subscription Agreement to convert the outstanding indebtedness into the Shares (the "Waiver").

The grant of the Waiver under the Huarong Waiver Letter is conditional upon satisfaction of the following conditions on or before 30 April 2022:

1. the amendment of the Huarong 1st Amendment Agreement from the Huarong Effective Date in the manner set out in the Huarong 2nd Amendment Deed; and
2. the amendment of the Huarong 1st Supplemental Convertible Bond Instrument from the Huarong Effective Date in the manner set out in the Huarong 2nd Supplemental Convertible Bond Instrument.

Save for the abovementioned amendments, the amendments in relation to the interest payment dates and the calculation of interests payable on each interest payment date and the corresponding necessary contextual changes to the Huarong 1st Amendment Agreement and the Huarong 1st Supplemental Convertible Bond Instrument, all other terms and conditions of the Huarong Convertible Bonds shall remain unchanged.

Reasons and Benefits of the Amendments

The Huarong Convertible Bonds (including the conversion rights) have matured on 11 August 2020. The Amendments would allow the Company to arrange for repayment of its debts under the Huarong Convertible Bonds on a later date and can therefore provide the Group with flexibility in relation to the Group's deployment of its financial resources to fund its operation and development as well as the planning of its working capital requirements. Without the Amendments and in light of the current market conditions, the Company would have to apply substantial working capital for the redemption of the outstanding Huarong Convertible Bonds upon demand and incur extra time and costs to arrange for re-financing.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Amendments, which were arrived at after arm's length negotiations between the Company and Huarong, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

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.

Huarong 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, Huarong holds 90,485,295 Shares in the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner of Huarong is China Huarong Asset Management Co., Ltd, an Independent Third Party.

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 at the date of this announcement, Prosper Rich holds 28,782,074 Shares in the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner and the sole shareholder of Prosper Rich namely, Ms. Lisa Leung, is an Independent Third Party. As at the date of this announcement, Ms. Lisa Leung was interested in an aggregate of 32,090,074 Shares, representing approximately 0.93% of the existing issued share capital of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
13 October 2021	Issuance of new ordinary Shares of 172,043,011 Shares	HK\$80,000,000	The aggregate subscription price for all 172,043,011 subscription shares was settled by Peaceful Wealth International Limited (“ Peaceful ”) by way of set-off against the outstanding liabilities owed by the Group to Peaceful	Set-off of outstanding liabilities
4 January 2021	Issuance of new ordinary Shares of 618,490,566 Shares	Approximately HK\$287,598,113	The aggregate subscription price for all 618,490,566 subscription shares was settled by Mianyang Fule Investment Co., Ltd. (“ Mianyang Fule ”) by way of set-off against the outstanding liabilities owed by the Group to Mianyang Fule	Set-off of outstanding liabilities

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.

EFFECT OF THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF ISSUE OF NEW SHARES AND THE CONVERSION OF THE CONVERTIBLE BONDS

The following table illustrates, based on the latest information available and to the best knowledge of the Directors, (1) the existing shareholding structure of the Company as at the date of this announcement; (2) immediately after the Completions (assuming that there will be no change in the issued share capital and shareholding structure of the Company between the date of this announcement and the Completions); and (3) the shareholding structure of the Company assuming the outstanding Huarong Convertible Bonds are fully converted into New Shares at the Conversion Price (assuming that (a) there will be no other change to the share capital of the Company from the date of this announcement until the completion of the conversion of the outstanding Huarong Convertible Bonds in full, save for the issue of the New Shares as a result of the conversion of the outstanding Huarong Convertible Bonds in full; and (b) the holders of the Huarong Convertible Bonds do not and will not hold any

additional Shares other than the Shares held on the date of this announcement, the Subscription Shares immediately after the Completions and the New Shares as a result of the conversion of the Huarong Convertible Bonds).

	As at the date of this announcement		Immediately after the Completions		Assuming the Convertible Bonds are fully converted into Shares (subject to adjustment)	
	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	Number of Shares directly or indirectly held	Approximate percentage of the issued share capital of the Company (%)
Shareholders						
Mr. Yu Jianqiu and Epoch Keen Limited (note 1)	538,998,400	15.60%	538,998,400	12.03%	538,998,400	11.83%
First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited (note 2)	310,317,000	8.98%	310,317,000	6.92%	310,317,000	6.81%
Mr. Kwong Wai Sun Wilson (note 3)	3,272,600	0.09%	3,272,600	0.07%	3,272,600	0.07%
Mianyang Fule and Mianyang Zantai Industrial Co., Ltd.* (綿陽贊泰實 業有限公司) (“Mianyang Zantai”) (note 4)	717,994,566	20.78%	717,994,566	16.02%	717,994,566	15.75%
QUAESTUS Capital Pte. Ltd. (note 5)	280,312,902	8.11%	280,312,902	6.25%	280,312,902	6.15%
Huarong	90,485,295	2.62%	590,485,295	13.18%	666,650,470	14.63%
Prosper Rich	28,782,074	0.83%	554,319,268	12.37%	554,319,268	12.16%
Public						
Public Shareholders	<u>1,485,857,230</u>	<u>42.99%</u>	<u>1,485,857,230</u>	<u>33.16%</u>	<u>1,485,857,230</u>	<u>32.60%</u>
	<u>3,456,020,067</u>	<u>100.00%</u>	<u>4,481,557,261</u>	<u>100.00%</u>	<u>4,557,722,436</u>	<u>100.00%</u>

Notes:

1. The Shares are held by Mr. Yu Jianqiu, chairman and an executive Director of the Company, together with Epoch Keen Limited, a company wholly-owned by Mr. Yu Jianqiu.
2. First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, an executive Director.
3. Mr. Kwong Wai Sun Wilson is an executive Director.
4. The Shares are held by Mianyang Fule together with Mianyang Zantai, a company wholly-owned by Mianyang Fule. Mianyang Fule is 100% ultimately controlled by The People’s Government of Mianyang Municipality (綿陽市人民政府).
5. Quaestus Capital Pte. Ltd. is 80% controlled by Kwek Steven Poh Song.

APPROVAL BY THE STOCK EXCHANGE

The Company will apply to the Stock Exchange for the approval of (i) the Amendments; and (ii) the listing of and permission to deal in the New Shares on the Stock Exchange.

LISTING RULES IMPLICATION

The Company will seek the Specific Mandates from the Shareholders at the EGM to allot and issue the Subscription Shares and the New Shares. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the New Shares, respectively.

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve among other things, the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Specific Mandate) and the Amendments. A circular containing, among other things, (i) information on the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement; (ii) information on the Amendments; (iii) the Specific Mandate; and (iv) a notice of the EGM and a form of proxy will be dispatched to the Shareholders as soon as practicable.

As the Amendments required mutual agreement between the Company and Huarong, the Amendments would not take place automatically pursuant to its original terms and conditions. Accordingly, the Stock Exchange would treat the Amendments as a new arrangement for the Company to issue the Huarong Convertible Bonds. The Company will therefore apply to the Stock Exchange for the approval of (i) the Amendments; and (ii) the listing of and permission to deal in the New Shares on the Stock Exchange.

The New Shares will be issued pursuant to the Specific Mandate. The Amendments are subject to the approval of the Shareholders and the Stock Exchange granting its approval for the Amendments.

Shareholders and potential investors should note that the Huarong Completion and the Prosper Rich Completion are subject to the fulfillment of conditions under the Huarong Subscription Agreement and Prosper Rich Subscription Agreement respectively and may or may not proceed.

The Amendments are also subject to fulfilment of certain conditions precedent and may or may not take effect. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITION

“Amendments”	the amendments under each of the Huarong Amendment Documents, the details of which is set out in the section headed “Amendments” above, and the waiver granted by Huarong under the Huraong Waiver Letter;
“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);
“Completions”	the Huarong Completion and the Prosper Rich Completion;
“Convertible Bonds”	the Huarong Convertible Bonds and the Prosper Rich Convertible Bonds;
“Convertible Bonds Specific Mandate”	the specific mandate to allot, issue and deal with the New Shares to be proposed for approval as an ordinary resolution of the Shareholders of the EGM;
“Deed of Partial Release”	the deed of partial release to be executed by Huarong as chargee and Epoch Keen Limited as chargor in respect of the partial release of 78,000,000 Shares;
“Director(s)”	the director(s) 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 Mandates; and (ii) the Subscription Agreements and the transactions contemplated thereunder; and (iii) the amendment and extension of maturity date of the Convertible Bonds;
“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;
“Huarong”	China Huarong International Holdings Limited, a limited liability company incorporated under the laws of Hong Kong;
“Huarong 1st Amendment Agreement”	the amendment agreement entered into between the Company, Huarong and Mr. Yu Jianqiu on 22 April 2020 in relation to the amendments to the Original Huarong Convertible Bonds Subscription Agreement and the Original Huarong Convertible Bonds Terms and Conditions;

“Huarong 1st Supplemental Convertible Bond Instrument”	the supplemental bond instrument entered into by the Company on 22 April 2020 in relation to amendment of the Original Huarong Convertible Bonds Terms and Conditions;
“Huarong 2nd Amendment Deed”	the amendment deed entered into between the Company, Huarong and Mr. Yu Jianqiu on 31 December 2021 in relation to the amendments to the Huarong 1st Amendment Agreement and the Huarong 1st Supplemental Convertible Bond Instrument entered into on 22 April 2020;
“Huarong 2nd Guarantee Confirmation”	a guarantee confirmation to be executed by Mr. Yu Jianqiu and Huarong in respect of the guarantee and security given by Mr. Yu Jianqiu;
“Huarong 2nd Supplemental Convertible Bond Instrument”	a 2nd supplemental convertible bond instrument in relation to the Huarong Convertible Bonds to be executed by the Company;
“Huarong 2nd Tripartite Amendment Agreement”	an amendment agreement to be executed by Huarong as custodian, Epoch Keen Limited as chargor and Huarong as chargee in relation to the a tripartite agreement entered into on 8 August 2017;
“Huarong Amendment Documents”	the Huarong 2nd Amendment Deed, the Huarong 2nd Supplemental Convertible Bond Instrument, the Deed of Partial Release, the Huarong Supplemental Company Share Charge, the Huarong 2nd Tripartite Amendment Agreement and the Huarong 2nd Guarantee Confirmation;
“Huarong Completion”	completion of the Huarong Subscription;
“Huarong Convertible Bonds”	the convertible bonds in aggregate principal amount of HK\$390,000,000 issued by the Company to Huarong under the Original Huarong Convertible Bonds Subscription Agreement dated 31 July 2017, as amended by the Huarong 1st Amendment Agreement dated 22 April 2020 and the Huarong Amendment Documents;
“Huarong Convertible Bonds Subscription Agreement”	The Original Huarong Convertible Bonds Subscription Agreement as amended by the Huarong 1st Amendment Agreement on 22 April 2020 and the Huarong 2nd Amendment Deed on 31 December 2021;
“Huarong Convertible Bonds Terms and Conditions”	the terms and conditions governing the Huarong Convertible Bonds as amended by the Huarong 1st Amendment Agreement, the Huarong 1st Supplemental Convertible Bond Instrument and the Huarong Amendment Documents;

“Huarong Effective Date”	the date on which Huarong gives the Huarong Effective Date Notice or such other date as Huarong and the Company may agree;
“Huarong Effective Date Notice”	the notice to be issued by Huarong as soon as reasonably practicable upon the receipt of all conditions precedent documents by Huarong under the Huarong 2nd Amendment Deed;
“Huarong Long Stop Date”	31 March 2022
“Huarong Maturity Date”	the date on which the Huarong Convertible Bonds mature in accordance with the Huarong Terms and Conditions, as amended from time to time;
“Huarong Subscription Specific Mandate”	the specific mandate to allot, issue and deal with the Huarong Subscription Shares to be proposed for approval as an ordinary resolution of the Shareholders of the EGM;
“Huarong Subscription”	the subscription by the Huarong of the Huarong Subscription Shares pursuant to the Huarong Subscription Agreement;
“Huarong Subscription Agreement”	the subscription agreement dated 31 December 2021 between the Company and Huarong in respect of the Huarong Subscription;
“Huarong Subscription Consideration”	HK\$232,500,000, being the aggregate consideration of the Huarong Subscription;
“Huarong Subscription Shares”	new Shares to be allotted and issued to Huarong pursuant to the Huarong Subscription Agreement, comprising a total of 500,000,000 Shares;
“Huarong Supplemental Company Share Charge”	an amendment agreement to be executed by Epoch Keen Limited as chargor and Huarong as chargee in relation to share charge executed by Epoch Keen Limited as chargor and Huarong as chargee on 8 August 2017;
“Huarong Terms and Conditions”	the terms and conditions governing the Huarong Convertible Bonds as amended by the Huarong 2nd Amendment Agreement and the Huarong 2nd Supplemental Convertible Bond Instrument;
“Huarong Waiver Letter”	a letter issued by Huarong on 31 December 2021 and acknowledged by the Company on 31 December 2021 in respect of the waiver granted by Huarong of the conversion rights under the Huarong Convertible Bond Subscription Agreement;

“Independent Third Party”	person(s) who is/are independent of the Company and its connected persons and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Shares”	Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds;
“Original Huarong Convertible Bonds Subscription Agreement”	the subscription agreement entered into between the Company and Huarong on 31 July 2017 in relation to the issue of the Huarong Convertible Bonds;
“Original Huarong Convertible Bonds Terms and Conditions”	the terms and conditions governing the Huarong Convertible Bonds issued on 31 July 2017;
“Prosper Rich”	Prosper Rich Investments Limited, a limited liability company incorporated in the British Virgin Islands;
“Prosper Rich Completion”	completion of the Prosper Rich Subscription;
“Prosper Rich Convertible Bonds”	the convertible bonds issued by the Company to Prosper Rich under the Prosper Subscription Agreement dated 31 July 2017, as amended by the Prosper Rich Amendment Deed dated 22 April 2020;
“Prosper Rich Long Stop Date”	31 March 2022;
“Prosper Rich Subscription”	the subscription by the Prosper Rich of the Prosper Rich Subscription Shares pursuant to the Prosper Rich Subscription Agreement;
“Prosper Rich Subscription Agreement”	the subscription agreement dated 31 December 2021 between the Company and Prosper Rich in respect of the Prosper Rich Subscription;
“Prosper Rich Subscription Consideration”	HK\$244,374,795, being the aggregate consideration of the Prosper Rich Subscription;
“Prosper Rich Subscription Shares”	new Shares to be allotted and issued to Prosper Rich pursuant to the Prosper Rich Subscription Agreement, comprising a total of 525,537,194 Shares;
“Prosper Rich Subscription Specific Mandate”	the specific mandate to allot, issue and deal with the Prosper Rich Subscription Shares to be proposed for approval as an ordinary resolution of the Shareholders of the EGM;

“Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Specific Mandates”	Subscription Specific Mandates and Convertible Bonds Specific Mandate;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Shareholder(s)”	holder(s) of Shares;
“Subscribers”	Huarong and Prosper Rich;
“Subscriptions”	the Huarong Subscription and the Prosper Rich Subscription;
“Subscription Specific Mandates”	Huarong Subscription Specific Mandate and Prosper Rich Subscription Specific Mandate;
“Subscription Agreements”	the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement;
“Subscription Considerations”	the Huarong Subscription Consideration and the Prosper Rich Subscription Consideration;
“Subscription Price”	HK\$0.465 per Subscription Share;
“Subscription Shares”	the Huarong Subscription Shares and the Prosper Rich Subscription Shares;
“Supplemental Listing Approval”	the approval granted by the Stock Exchange for the listing of and permission to deal in the New Shares to be issued upon the exercise of the conversion rights under the Huarong Convertible Bonds, if required;
“Trading Day(s)”	days on which the Stock Exchange is open for dealing business;
“%”	per cent.

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

Hong Kong, 31 December 2021

As at the date of this announcement, the Board 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.

** For identification purposes*