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If you have sold or transferred all your shares in China Metal Resources Utilization Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of China Metal Resources Utilization Limited.

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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 AND ALLOTMENT OF NEW SHARES FOR
SUBSCRIPTION UNDER SPECIFIC MANDATE
AND
(2) PROPOSED AMENDMENT AND EXTENSION OF MATURITY DATE OF
THE HUARONG CONVERTIBLE BONDS
AND
(3) PROPOSED REFRESHMENT OF THE 10%
SHARE OPTION SCHEME LIMIT
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM (as defined herein) of China Metal Resources Utilization Limited to be held at Unit 02–03, 44/F., Cosco Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 22 February 2022 at 2:00 p.m. is set out on pages 38 to 42 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cmru.com.cn) respectively.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before (i.e. 2:00 p.m. on Sunday, 20 February 2022) the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 pandemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; (iii) no provision of refreshments and/or corporate gifts; and (iv) every attendee is required to complete a health declaration and personal information form (which may be used for contact tracing, if required) and submit the same at the entrance of the EGM venue before admission into the EGM venue. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

4 February 2022

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius or is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue.
- (ii) Every attendee will be required to wear surgical face masks before they are permitted to attend, and throughout their attendance of, the EGM. Please note that no masks will be provided at the EGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.
- (iii) No refreshments or drinks will be served and no corporate gifts will be distributed.
- (iv) Every attendee is required to complete a health declaration and personal information form (which may be used for contact tracing, if required) and submit the same at the entrance of the EGM venue before admission into the EGM venue.

Attendees who do not comply with the above precautionary measures may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by law. Attendees are in addition requested to observe and practice good personal hygiene at all times. Subject to development of the COVID-19 pandemic, the Company may implement further precautionary measures as and when appropriate.

For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy instead of attending the EGM in person.

The form of proxy was despatched to the Shareholders and can otherwise be downloaded from the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cmru.com.cn). In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible, and in any event not later than 2:00 p.m. on Sunday, 20 February 2022.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements on short notice. Shareholders should check the Company's website at www.cmru.com.cn for further announcements and updates on the EGM arrangements.

PRECAUTIONARY MEASURES FOR THE EGM

If the Shareholders have any questions relating to the EGM, please contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited:

17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990
Website: www.computershare.com/hk/contact

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DEFINITIONS

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

“Amendments”	the amendments under each of the Huarong Amendment Documents, the details of which is set out in the section headed “Amendments”, and the waiver granted by Huarong under the Huarong 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; (ii) the Subscription Agreements and the transactions contemplated thereunder; (iii) the amendment and extension of maturity date of the Convertible Bonds; and (iv) the refreshment of the Scheme Mandate Limit;
“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;

DEFINITIONS

“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;

DEFINITIONS

“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”	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 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 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;

DEFINITIONS

“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;
“Latest Practicable Date”	25 January 2022;
“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 Huarong Convertible Bonds, in an aggregate amount of 76,165,175 Shares;
“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;

DEFINITIONS

“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;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued up to the exercise of all Share Options to be granted under the Share Option Scheme and all other share option scheme(s) of the Company as approved by a written resolution of the then shareholders of the Company on 28 January 2014 as refreshed and thereafter, if further refreshed, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit by the Shareholders;
“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;
“Share Option(s)”	any share option(s) granted or to be granted under the Share Option Scheme;
“Share Option Scheme”	the share option scheme adopted by the Company on 28 January 2014;
“Shareholder(s)”	holder(s) of Shares;
“Specific Mandates”	Subscription Specific Mandates and Convertible Bonds Specific Mandate;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	Huarong and Prosper Rich;

DEFINITIONS

“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;
“Subscription Specific Mandates”	Huarong Subscription Specific Mandate and Prosper Rich Subscription Specific Mandate;
“Subscriptions”	the Huarong Subscription and the Prosper Rich Subscription;
“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; and
“%”	per cent.

* *The English translation of the names is for reference only. The official names of these companies are in Chinese.*



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)

Executive Directors:

Mr. Yu Jianqiu (*Chairman*)
Mr. Kwong Wai Sun Wilson
Mr. Huang Weiping
Ms. Zhu Yufen

Independent non-executive Directors:

Mr. Lee Ting Bun Denny
Mr. Pan Liansheng
Ms. Ren Ruxian

Registered office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office in the PRC:

She Nos 1, 3 and 8
Shunhe Village
Xiaojiangou Town
Youxian District
Mianyang
Sichuan Province
China

Place of business in Hong Kong:

Unit 02-03, 44/F., COSCO Tower
183 Queen's Road Central
Hong Kong

4 February 2022

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED ISSUE AND ALLOTMENT OF NEW SHARES FOR
SUBSCRIPTION UNDER SPECIFIC MANDATE
AND
(2) PROPOSED AMENDMENT AND EXTENSION OF MATURITY DATE OF
THE HUARONG CONVERTIBLE BONDS
AND
(3) PROPOSED REFRESHMENT OF THE 10%
SHARE OPTION SCHEME LIMIT
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 31 December 2021 in relation to the Subscriptions and the amendment and extension of maturity date of the Huarong Convertible Bonds.

LETTER FROM THE BOARD

Proposed issue of new Shares under specific mandate

On 31 December 2021, 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 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.

The Subscription Shares will be issued pursuant to the Subscription Specific Mandates, the Completions are subject to the Shareholders' approval at the EGM and listing approval to be granted by the Stock Exchange. 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 2nd Amendment Deed 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 at the EGM and the Stock Exchange granting its approval for the Amendments.

LETTER FROM THE BOARD

Proposed refreshment of 10% Share Option Scheme Limit

The Share Option Scheme was adopted by the Company on 28 January 2014. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. Under the current Scheme Mandate Limit as refreshed on 9 June 2015, the Company may issue up to 10% of the total number of Shares in issue as at the date of the approval of the refreshment of the Scheme Mandate Limit, namely 210,514,560 Shares.

If the refreshment of the Scheme Mandate Limit is approved at the EGM, based on the 3,456,020,067 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be allotted and issued or repurchased after the Latest Practicable Date and up to the date of the EGM, the Company may grant further options carrying rights to subscribe for up to a total of 345,602,006 Shares under the Share Option Scheme (representing 10% of the issued share capital of the Company as at the date of the EGM).

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be listed by the Company (representing 10% of the Shares in issue as at the date of the EGM) which may be issued pursuant to exercise of Share Options to be granted under the refreshed Scheme Mandate Limit.

The purpose of this circular is to provide you with (i) further details of the Subscriptions and the Subscription Specific Mandates; (ii) further details of the Amendments and the Convertible Bonds Specific Mandate; (iii) further details of the proposed refreshment of the Scheme Mandate Limit; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

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 Latest Practicable Date, 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 Latest Practicable Date. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Huarong is an Independent Third Party.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date 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 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, save for the fact that the listing of the Shares had not been revoked and the Shares were listed on the Stock Exchange, none of the other conditions precedent under the Huarong Subscription Agreement had been satisfied.

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.

In the event that the Huarong Completion could not take place on or before the Huarong Long Stop Date and the Huarong Long Stop Date has to be extended beyond 31 March 2022, the Company will re-comply with all the applicable Listing Rule requirements (including but not limited to obtaining shareholder approval as required under Rule 13.36(1) of the Listing Rules).

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 Latest Practicable Date, Prosper Rich holds 32,090,074 Shares, representing approximately 0.93% of the existing issued share capital of the Company of 3,456,020,067 Shares as at the Latest Practicable Date. To the best of the Directors'

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date.

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 Latest Practicable Date; 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 Latest Practicable Date 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 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 compliance 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, save for the fact that the listing of the Shares had not been revoked and the Shares were listed on the Stock Exchange, none of the other conditions precedent under the Prosper Rich Subscription Agreement had been satisfied.

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.

In the event that the Prosper Rich Completion could not take place on or before the Prosper Rich Long Stop Date and the Prosper Rich Long Stop Date has to be extended beyond 31 March 2022, the Company will re-comply with all the applicable Listing Rule requirements (including but not limited to obtaining shareholder approval as required under Rule 13.36(1) of the Listing Rules).

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.

LETTER FROM THE BOARD

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

The Subscription Price of HK\$0.465 per Subscription Share represents a net price of HK\$0.465 to the Company and:

- (i) a premium of approximately 167.2% to the closing price of HK\$0.0174 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, noting that the Subscription Price is at a significant premium to the recent trading price of the Shares, as well as the subscription price of the recently completed subscriptions of Shares, including the Shares issued and allotted to PEACEFUL WEALTH INTERNATIONAL LIMITED (富康國際有限公司) on 19 October 2021 as disclosed in the announcements of the Company dated 13 and 19 October 2021. The Directors consider that the terms and conditions of the Huarong Subscription Agreement and 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.

LETTER FROM THE BOARD

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 31 December 2021, the outstanding liabilities owed to Huarong amounted to HK\$460,233,874 (including the principal amount of HK\$390,000,000 and accrued interest of HK\$70,233,874). 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 31 December 2021, the outstanding liabilities owned to Prosper Rich amounted to HK\$244,374,795 (including the principal amount of HK\$200,000,000 and accrued interest of HK\$44,374,795). 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.

Further, notwithstanding the dilution impact of more than 20% upon completion of the Subscriptions, given (i) the current financial position of the Group and the potential adverse impact on the Group's cash position to redeem the outstanding Huarong Convertible Bonds and the Prosper Rich Convertible Bonds; (ii) the Company had sought to explore other debt opportunities but could not secure any financing arrangement in more favourable terms; and (iii) the significant premium of the Subscription Price on the recent trading price of the Shares, 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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- 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;

LETTER FROM THE BOARD

- 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.

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Event of default: The Company and Huarong have agreed that (i) Shares held by the management of the Company and their affiliates falling below 50% 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 to less than 200,000,000 Shares; and (ii) failure by the Company to settle its outstanding indebtedness owed to Mianyang Fule Investment Co., Ltd. (“**Mianyang Fule**”) (amounted to RMB45,700,000 (excluding any trade related balances) as at the Latest Practicable Date), Prosper Rich (amounted to HK\$244,374,795 as at the Latest Practicable Date) and Mianyang Science Technology City Development Investment (Group) Co., Ltd. (amounted to RMB299,116,000 as at the Latest Practicable Date) by 30 June 2022 by way of issuance of new Shares by the Company and setting off the consideration for such issuance of new Shares against the relevant outstanding indebtedness.

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.

The Company intends to extend the Huarong Maturity Date from 31 December 2022 to 31 December 2023 pursuant to the terms of the Huarong 2nd Amendment Deed.

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The Company currently intends to redeem the outstanding principal amount of the Huarong Convertible Bonds and to settle the outstanding interests under the Huarong Convertible Bonds when the Huarong Convertible Bonds become due upon the Huarong Maturity Date in part or in full by utilising its working capital and/or funds obtained through other refinancing opportunities.

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 becoming effective 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 becoming effective from the Huarong Effective Date in the manner set out in the Huarong 2nd Supplemental Convertible Bond Instrument.

As at the Latest Practicable Date, the conversion rights under the Huarong Convertible Bonds Subscription Agreement had not been waived by Huarong as the abovementioned conditions had not been fulfilled.

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

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outstanding Huarong Convertible Bonds upon demand and incur extra time and costs to arrange for re-financing. Further, the Company had sought to explore other debt opportunities but could not secure any financing arrangement in more favourable terms.

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.

Please see below a summary of (i) the original principal terms of the Huarong Convertible Bonds as disclosed in the announcement of the Company dated 31 July 2017 (the “**731 Announcement**”); (ii) the first amendments to the terms and conditions of the Huarong Convertible Bonds pursuant to the Huarong 1st Amendment Agreement as disclosed in the announcement of the Company dated 22 April 2020 (the “**422 Announcement**”); and (iii) the Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter.

	Original principal terms	Amendments pursuant to the Huarong 1st Amendment Agreement	Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter
Principal amount:	The Huarong Convertible Bonds in a principal amount of HK\$400,000,000.	The outstanding principal amount of the Huarong Convertible Bond is amended from HK\$400,000,000 to HK\$390,000,000 to reflect the payment of HK\$10,000,000 paid by the Company to Huarong on 12 September 2019.	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:	Date of the second anniversary of the Issue Date (as defined in the 731 Announcement, i.e. 11 August 2017) (unless redeemed early).	The Investor Maturity Date (as defined in the 422 Announcement) of the Huarong Convertible Bonds shall be extended from 24 months from the Issue Date (as defined in the 422 Announcement) (i.e. 12 August 2019) to 36 months from the Issue Date (as defined in the 422 Announcement) (i.e. 11 August 2020).	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.

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	Original principal terms	Amendments pursuant to the Huarong 1st Amendment Agreement	Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter
Redemption amount on maturity:	<p>If the Huarong Convertible Bonds have not been converted before the Maturity Date (as defined in the 731 Announcement), the Company shall on the Maturity Date redeem all the outstanding Huarong Convertible Bonds at nominal value (plus accrued but unpaid interest).</p> <p>If the Huarong Convertible Bonds are due for redemption pursuant to the Original Huarong Convertible Bonds Terms and Conditions and the average closing share price of the Company during any 6 consecutive months within the period commencing from the Issue Date (as defined in the 731 Announcement) to the Maturity Date (as defined in the 731 Announcement) has never, at any point of time, reached or exceeded the Investor Conversion Price (as defined in the 731 Announcement), the Company shall, upon redemption of the Huarong Convertible Bonds, compensate Huarong in cash so that Huarong is guaranteed an annualized return of 12% for the period commencing from the Issue Date (as defined in the 731 Announcement) to the date of redemption (the annualized return includes the interest payments on such portion of the Huarong Convertible Bonds).</p>	<p>Further to the Huarong Convertible Bonds Terms and Conditions, at redemption of all the outstanding Huarong Convertible Bonds at nominal value (but deducting any of the Huarong Convertible Bonds redeemed or converted prior to maturity) at maturity, in addition to the payment of accrued but unpaid interests, the Company agrees to the payment of default interest (if applicable and if any).</p>	<p>No change.</p>
Interest rate:	<p>The Huarong Convertible Bonds bear interest at the rate of 8 per cent. per annum from and including the Issue Date (as defined in the 731 Announcement) payable quarterly in arrear.</p>	<p>The Huarong Convertible Bonds bear interest at the rate of 12 per cent. per annum from and including 12 August 2019 payable quarterly in arrear. The Company shall within 15 PRC Business Days (as defined in the 422 Announcement) of the date of the Huarong 1st Amendment Agreement pay to Huarong accrued interest on the Huarong Convertible Bonds.</p>	<p>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.</p>
Status:	<p>The Huarong Convertible Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company. The Huarong Convertible Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.</p>	<p>No change.</p>	<p>No change.</p>

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	Original principal terms	Amendments pursuant to the Huarong 1st Amendment Agreement	Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter
Conversion right:	Subject to the Original Huarong Convertible Bonds Terms and Conditions, Huarong shall be entitled to convert in whole or in part, the Huarong Convertible Bonds into New Shares (as defined in the 731 Announcement) on any Business Day (as defined in the 731 Announcement) from the Issue Date (as defined in the 731 Announcement) up to and including the Maturity Date (as defined in the 731 Announcement).	No change.	Pursuant to the Huarong Waiver Letter, Huarong conditionally 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.
Conversion price:	The Investor Conversion Price (as defined in the 731 Announcement) will initially be HK\$2.990 per Share (subject to adjustment as provided in the Original Huarong Convertible Bonds Terms and Conditions).	No change.	No change.
Adjustments to the conversion price:	<p>The Investor Conversion Price (as defined in the 731 Announcement) will be subject to adjustment upon the occurrence of certain events as set out in the Original Huarong Convertible Bonds Terms and Conditions as follows:</p> <ul style="list-style-type: none"> (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification; (ii) the issue of any Shares by way of capitalisation of profits or reserves; (iii) the issue of Shares in lieu of a cash dividend; (iv) capital distribution; (v) an offer to the holders of the Shares new shares for subscription by way of rights issue, or a grant to holders of the Shares any options or warrants; (vi) the issue of Shares or other securities pursuant to which Shares can be subscribed for or converted at a price lower than 95% of the market price of the Shares; and (vii) other issue of securities which by their terms are convertible into or exchangeable for or carry rights to subscribe for new Shares at a price lower than 95% of the market price of the Shares. <p>Notwithstanding that the Investor Conversion Price (as defined in the 731 Announcement) will be subject to adjustment, the Company will monitor internally before taking any action which may trigger an adjustment event to ensure that if any corporate action would trigger an adjustment event which would result in the General Mandate (as defined in the 731 Announcement) being insufficient to cover the issue of New Shares (as defined in the 731 Announcement) upon exercise of the conversion rights attaching to the Huarong Convertible Bonds, such corporate action will not be taken.</p>	No change.	No change.

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	Original principal terms	Amendments pursuant to the Huarong 1st Amendment Agreement	Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter
Restriction on conversion:	<p>The conversion rights attaching to the Huarong Convertible Bonds may only be exercised (in whole or in part) if after the exercise of conversion rights:</p> <p>(i) the principal amount of the Huarong Convertible Bonds already converted into Shares does not exceed HK\$200,000,000; and</p> <p>(ii) the public float will be not less than 25% of the issued share capital of the Company as enlarged by the issue of the New Shares (as defined in the 731 Announcement).</p>	No change.	No change.
Early redemption for relevant event by Huarong:	<p>In the event of the occurrence of an event of default as set out in the Original Huarong Convertible Bonds Terms and Conditions, Huarong may request for early redemption and the Company shall redeem all the outstanding Huarong Convertible Bonds at nominal value (plus interest accrued but unpaid).</p> <p>In the event of such early redemption, the Company shall, upon redemption, compensate Huarong in cash so that Huarong is guaranteed an annualised return of 12% for the period commencing from the Issue Date (as defined in the 731 Announcement) to the date of early redemption (the annualised return includes the interest payments on such portion of the Huarong Convertible Bonds).</p>	<p>The Company further agrees to the payment of default interest (if applicable) on all outstanding Huarong Convertible Bonds upon the occurrence of any event of default (in addition to the payment of accrued but unpaid interests on all outstanding Huarong Convertible Bonds).</p> <p>Huarong has the right to request for early redemption of outstanding Huarong Convertible Bonds, provided that the aggregate nominal value of such Huarong Convertible Bonds to be redeemed shall not exceed HK\$190,000,000, and the Company shall redeem at nominal value of the requested redemption amount (plus any accrued but unpaid interests and default interest (if applicable and if any)).</p>	No change.
Form and demonization:	The Huarong Convertible Bonds will be in registered form in the denomination of HK\$1,000,000 each and integral multiples thereof.	No change.	No change.
Voting rights:	Huarong will not have any right to attend or vote at any meeting of the Company by virtue of them being holder of the Huarong Convertible Bonds.	No change.	No change.
Transferability:	The Huarong Convertible Bonds are freely transferable from the Issue Date (as defined in the 731 Announcement) provided that Huarong has notified the Company before such transfer is effected.	No change.	No change.

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Original principal terms	Amendments pursuant to the Huarong 1st Amendment Agreement	Amendments pursuant to the Huarong 2nd Amendment Deed and the Huarong Waiver Letter
<p>Events of default:</p> <p>If any event of default set out in the Original Huarong Convertible Bonds Terms and Conditions occurs, Huarong may give notice to the Company that the Huarong Convertible Bonds, together with the interest accrued, will become immediately due and payable.</p>	<p>The Company and Huarong have agreed that the following events would not constitute an event of default under the Huarong Convertible Bonds Terms and Conditions:</p> <ul style="list-style-type: none"> (i) a change of ultimate controller of the Company to SCIG (as defined in the 422 Announcement); and (ii) if Mr. Yu Jianqiu no longer acts as chairman and/or executive Director of the Company, provided that such role is taken up by a member of staff appointed by SCIG (as defined in the 422 Announcement). <p>The Company and Huarong have further agreed that upon the occurrence of an event of default under the Huarong Convertible Bonds Terms and Conditions and until the actual payment date, Huarong has the right to, subject to the Huarong Convertible Bonds Terms and Conditions, apply a default interest at 0.03% per day on the outstanding payment.</p>	<p>The Company and Huarong have agreed that (i) Shares held by the management of the Company and their affiliates falling below 50% 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 Terms and Conditions.</p> <p>The Company and Huarong have further agreed to amend and include as events of default under the Huarong Terms and Conditions (i) decrease in Shares charged by Mr. Yu Jianqiu (through Epoch Keen Limited) in favour of Huarong after the Huarong Effective Date to less than 200,000,000 Shares; and (ii) failure by the Company to settle its outstanding indebtedness owed to Mianyang Fule (amounted to RMB45,700,000 (excluding any trade related balances) as at the Latest Practicable Date), Prosper Rich (amounted to HK\$244,374,795 as at the Latest Practicable Date) and Mianyang Science Technology City Development Investment (Group) Co., Ltd. (amounted to RMB299,116,000 as at the Latest Practicable Date) by 30 June 2022 by way of issuance of new Shares by the Company and setting off the consideration for such issuance of new Shares against the relevant outstanding indebtedness.</p>
<p>Guarantee and security:</p> <p>Mr. Yu Jianqiu and certain subsidiaries of the Company have given an unconditional and irrevocable guarantee over the Company's obligations, amongst others, under the Investor Subscription Agreement (as defined in the 731 Announcement) and the Huarong Convertible Bonds.</p> <p>As security over, amongst others, the performance of the Company's obligations under the Investor Subscription Agreement (as defined in the 731 Announcement) and the Huarong Convertible Bonds, (i) Epoch Keen Limited and Huarong have entered into a share charge over 278,000,000 Shares, and (ii) Engen Investments Limited, a wholly-owned subsidiary of the Company, and Huarong have entered into a share charge over shares in True Excel Holdings Limited (an indirect wholly-owned subsidiary of the Company which in turn holds certain operating subsidiaries of the Group).</p>	<p>In relation to the original guarantees and share charges (the details of which are contained in the 731 Announcement), confirmation deeds and confirmation agreements were executed to re-confirm the relevant parties' guarantee and security in respect of the Company's obligations under the Investor Subscription Agreement (as defined in the 422 Announcement) and the Original Huarong Convertible Bonds Terms and Conditions as amended by the Huarong 1st Amendment Agreement.</p>	<p>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.</p>

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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 Latest Practicable Date, 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, a company listed on the Main Board of the Stock Exchange (stock code: 2799.HK) and 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. As at the Latest Practicable Date, Prosper Rich holds 32,090,074 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. Ms. Lisa Leung has been working in the financial sector for 20 years and is experienced in investments in listed and private companies in the Greater China region. As at the Latest Practicable Date, 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there were no past or existing relationship or transactions between Huarong and Prosper Rich (including their respective ultimate beneficial owners) other than in relation to the Huarong Convertible Bonds and the Prosper Rich Convertible Bonds.

Upon the Completions, none of Huarong, Prosper Rich or any of their respective connected persons will:

1. take significant roles/directorships in the Company and/or its subsidiaries;
2. be appointed as a Director; or
3. nominate persons to become a Director.

Both Huarong and Prosper Rich are financial investors of the Company which would not have any specific roles and responsibilities in the Company and the Company does not envisage either Huarong or Prosper Rich would involve in the business operations of the Group.

LETTER FROM THE BOARD

The main objective of the Subscriptions is to lower the gearing ratio of the Company and the Company does not envisage the Subscriptions would have major impact on the daily operation of the Group. In addition, the Company has no current plans to dispose of or downsize its existing businesses or introduce new businesses after the Subscriptions.

FURTHER INFORMATION IN RELATION TO THE SUBSCRIPTIONS AND AMENDMENTS

According to the Huarong Subscription Agreement, the Prosper Rich Subscription Agreement and the Huarong Amendment Documents:

1. the Huarong Subscription and the Prosper Rich Subscription are not inter-conditional to each other;
2. the Prosper Rich Subscription and the Amendments are not inter-conditional to each other; and
3. the completion of the Huarong Subscription is one of the conditions precedent under the Huarong 2nd Amendment Deed.

LETTER FROM THE BOARD

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 under general mandate	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	Utilized in full for the set-off of outstanding liabilities as intended
4 January 2021	Issuance of new ordinary Shares of 618,490,566 Shares under specific mandate	Approximately HK\$287,598,113	The aggregate subscription price for all 618,490,566 subscription shares was settled by Mianyang Fule by way of set-off against the outstanding liabilities owed by the Group to Mianyang Fule	Utilized in full for the set-off of outstanding liabilities as intended

Save as to the above, the Company has not carried out any capital fund raising activities in the 12 months period immediately before the Latest Practicable Date.

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 Latest Practicable Date; (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 Latest Practicable Date 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 Latest Practicable Date 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

LETTER FROM THE BOARD

holder of the Huarong Convertible Bonds do not and will not hold any additional Shares other than the Shares held on the Latest Practicable Date, 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 Latest Practicable Date		Immediately after the Completions		Assuming the Huarong Convertible Bonds are fully converted into Shares (subject to adjustment)	
	<i>Approximate percentage of</i>		<i>Approximate percentage of</i>		<i>Approximate percentage of</i>	
	<i>Number of Shares directly or indirectly held</i>	<i>the issued share capital of the Company</i>	<i>Number of Shares directly or indirectly held</i>	<i>the issued share capital of the Company</i>	<i>Number of Shares directly or indirectly held</i>	<i>the issued share capital of the Company (%)</i>
Shareholders						
Mr. Yu Jianqiu and Epoch Keen Limited (<i>note 1</i>)	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 (<i>note 2</i>)	310,317,000	8.98%	310,317,000	6.92%	310,317,000	6.81%
Mr. Kwong Wai Sun Wilson (<i>note 3</i>)	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”) (<i>note 4</i>)	717,994,566	20.78%	717,994,566	16.02%	717,994,566	15.75%
Quaestus Capital Pte. Ltd. (<i>note 5</i>)	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	32,090,074	0.93%	557,627,268	12.44%	557,627,268	12.23%
Public						
Public Shareholders	<u>1,482,549,230</u>	<u>42.89%</u>	<u>1,482,549,230</u>	<u>33.09%</u>	<u>1,482,549,230</u>	<u>32.53%</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:

- 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.
- First Harvest Global Limited, Gold Wide Enterprises Limited and Ocean Through Limited are companies wholly-owned by Mr. Huang Weiping, an executive Director.
- Mr. Kwong Wai Sun Wilson is an executive Director.
- 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).
- Quaestus Capital Pte. Ltd. is 80% controlled by Kwek Steven Poh Song.

LETTER FROM THE BOARD

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

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. 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. Therefore, an application for the said approval will be made by the Company 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 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.

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.

III. REFRESHMENT OF THE 10% SHARE OPTION SCHEME LIMIT

The Share Option Scheme was adopted by the Company on 28 January 2014. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. As at the Latest Practicable Date, 3,456,020,067 Shares were in issue and a total of 164,808,334 Share Options to subscribe for up to 164,808,334 Shares, representing 4.77% of the issued Shares as at the Latest Practicable Date, have been granted and remained outstanding since the adoption of the Share Option Scheme.

Pursuant to the Share Option Scheme and in compliance with Rule 17.03 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company, shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Share Option Scheme or of the approval of the refreshment of the Scheme Mandate Limit.

LETTER FROM THE BOARD

The Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders at general meeting provided that:

1. the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the Shareholders' approval of the refreshment of the Scheme Mandate Limit;
2. Share Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised share options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
3. the total number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

Under the current Scheme Mandate Limit as refreshed on 9 June 2015, the Company may issue up to 10% of the total number of Shares in issue as at the date of the approval of the refreshment of the Scheme Mandate Limit, namely 210,514,560 Shares.

LETTER FROM THE BOARD

The following tables set out information regarding the Share Options granted under (i) the original Scheme Mandate Limit as of the adoption of the Share Option Scheme on 28 January 2014; and (ii) the refreshed Scheme Mandate Limit adopted on 9 June 2015:

Original Scheme Mandate Limit of the Share Option Scheme adopted on 28 January 2014

Scheme mandate limit approved	Date of grant	Categories of grantees (i.e. Directors, employees, consultants and/or others)	Number of grantees	Number of Share Options granted	Exercise price	Number of Share Options cancelled	Number of Share Options lapsed	Number of Share Options exercised	Number of Share Options outstanding as at the Latest Practicable Date	Reason for the grant
209,832,160	2 July 2014	Directors:	3							
		1. Mr. Huang Weiping (Note 1)		2,000,000	1.13	667,000	0	1,333,000	0	In recognition of their efforts and contributions to the Group
		2. Ms. Zhu Yufen (Note 1)		10,000,000	1.13	3,334,000	0	6,666,000	0	
		3. Mr. Liu Hanjiu (Note 2)		12,000,000	1.13	0	12,000,000	0	0	
		Employees	87	89,000,000	1.13	6,215,000	16,202,000	66,583,000	0	
	7 May 2015	Directors:	4							
		1. Mr. Kwong Wai Sun Wilson (Note 1)		5,000,000	1.68	5,000,000	0	0	0	In recognition of their efforts and contributions to the Group
		2. Mr. Lee Ting Bun Denny (Note 3)		1,000,000	1.68	1,000,000	0	0	0	
		3. Mr. Pan Liansheng (Note 3)		1,000,000	1.68	1,000,000	0	0	0	
		4. Ms. Liu Rong (Note 4)		1,000,000	1.68	0	1,000,000	0	0	
		Employees	97	73,360,000	1.68	41,480,000	17,880,000	0	14,000,000	
		Consultants (Note 5)	3	21,000,000	1.68	8,000,000	0	0	13,000,000	See note 5 below
Total			<u>194</u>	<u>215,360,000</u>		<u>66,696,000</u>	<u>47,020,000</u>	<u>74,582,000</u>	<u>27,000,000</u>	

Notes:

1. An executive Director.
2. A former executive Director.
3. An independent non-executive Director.
4. A former independent non-executive Director.
5. The Share Options were granted to (i) Ms. An Ran Annie in light of her contributions and corporate strategic and business development services provided to Baohe Fushan (an associated company of the Group) ; and (ii) Mr. Cai Gong and Mr. Ju Li in light of their contributions in procuring the access to the operation of renewable metal electronic commerce platform in the PRC and delivery services operated by Sichuan Jin Xunhuan E-commerce Trading Co., Ltd., a company which the Group had acquired a 25% stake in 2017 (details of the acquisition were disclosed in the announcement of the Company dated 25 October 2017) and subsequently disposed of by the Group in 2021 (details of the disposal were disclosed in the announcement of the Company dated 9 November 2020 and the circular of the Company dated 22 April 2021).

LETTER FROM THE BOARD

Refreshed Scheme Mandate Limit adopted on 9 June 2015

Scheme mandate limit approved	Date of grant	Categories of grantees (i.e. Directors, employees, consultants and/or others)	Number of grantees	Number of Share Options granted	Exercise price	Number of Share Options cancelled	Number of Share Options lapsed	Number of Share Options exercised	Number of Share Options outstanding as at the Latest Practicable Date	Reason for the grant
210,514,560	23 July 2015	Others — suppliers	25	6,700,000	2.16	0	3,200,000	3,500,000	0	See note 1 below
		Others — customers	9	3,300,000	2.16	0	2,300,000	1,000,000	0	
	31 May 2016	Directors:	1	1,000,000	3.66	1,000,000	0	0	0	In recognition of their efforts and contributions to the Group
		Ms. Ren Ruxian (Note 2)		1,000,000		1,000,000	0	0	0	
		Employees	38	26,930,000	3.66	20,640,000	6,290,000	0	0	
		Others — suppliers	7	5,200,000	3.66	5,200,000	0	0	0	See note 1 below
	12 December 2017	Others — suppliers	68	17,338,000	3.7	0	16,593,776	0	744,224	See note 1 below
		Others — customers	39	12,226,000	3.7	0	12,161,890	0	64,110	
	14 December 2021	Directors:	5							In recognition of their efforts and contributions to the Group
		1. Mr. Zhu Yufen (Note 3)		3,000,000	0.465	0	0	0	3,000,000	
		2. Mr. Kwong Wai Sun Wilson (Note 3)		4,000,000	0.465	0	0	0	4,000,000	
		3. Mr. Lee Ting Bun Denny (Note 2)		1,000,000	0.465	0	0	0	1,000,000	
		4. Mr. Pan Liansheng (Note 2)		1,000,000	0.465	0	0	0	1,000,000	
		5. Ms. Ren Ruxian (Note 2)		1,000,000	0.465	0	0	0	1,000,000	
		Employees		116	127,000,000	0.465	0	0	127,000,000	
				<u>308</u>	<u>206,694,000</u>		<u>26,840,000</u>	<u>40,545,000</u>	<u>4,500,000</u>	
Total			<u>308</u>	<u>206,694,000</u>		<u>26,840,000</u>	<u>40,545,000</u>	<u>4,500,000</u>	<u>137,808,334</u>	

Notes:

1. The Share Options were granted with a view to align the interests of the Group's customers and/or suppliers with the Group and secure their long-term support and commitment to the Group.
2. An independent non-executive Director.
3. An executive Director.

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As disclosed above, (i) Ms. Zhu Yufen, an executive Director, was a grantee of Share Options in relation to the grants of Share Options on 2 July 2014 and 24 December 2021; (ii) Mr. Kwong Wai Sun Wilson, an executive Director, was a grantee of Share Options in relation to the grants of Share Options on 7 May 2015 and 24 December 2021; (iii) Mr. Lee Ting Bun Denny, an independent non-executive Director, was a grantee of Share Options in relation to the grants of Share Options on 7 May 2015 and 24 December 2021; (iv) Mr. Pan Liansheng, an independent non-executive Director, was a grantee of Share Options in relation to the grants of Share Options on 7 May 2015 and 24 December 2021; and (v) Ms. Ren Ruxian, an independent non-executive Director, was a grantee of Share Options in relation to the grants of Share Options on 31 May 2016 and 24 December 2021.

In relation to the employees of the Group who were grantees of Share Options, 62 of such employees had been granted Share Options on more than one occasion, with (i) 48 of such employees granted Share Options on two occasions; (ii) 13 of such employees granted Share Options on three occasions; and (iii) one of such employees granted Share Options on four occasions. The Company considers that the various grants of Share Options to these employees on separate occasions serve as extra incentive in retaining their services and encouraging their continued efforts and contributions to the Group and therefore are justified and reasonable.

10 of the suppliers of the Group who were grantees of Share Options had been granted Share Options on two occasions. Additional grant of Share Options were made to these suppliers with a view to further align their interests with that of the Group and secure their continued support and commitment to the Group.

Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the other grantees of the Share Options granted on 2 July 2014, 7 May 2015, 23 July 2015, 31 May 2016, 12 December 2017 and 14 December 2021 are overlapped, connected or related to each other.

If the refreshment of the Scheme Mandate Limit is approved at the EGM, based on the 3,456,020,067 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be allotted and issued or repurchased after the Latest Practicable Date and up to the date of the EGM, the Company may grant further options carrying rights to subscribe for up to a total of 345,602,006 Shares under the Share Option Scheme (representing 10% of the issued share capital of the Company as at the date of the EGM). The Directors have no immediate plan and intention to grant further Share Options pursuant to the refreshed Scheme Mandate Limit.

As at the Latest Practicable Date, there were 164,808,334 outstanding Share Options pursuant to the Share Option Scheme, representing approximately 4.77% of the Shares in issue as at the Latest Practicable Date. Assuming that the refreshment of the Scheme Mandate Limit will be approved, the number of Shares that may be issued under the Share Option Scheme will be an aggregate of 510,410,340 Shares (comprising 345,602,006 Shares to be allotted and issued upon exercise of the Share Options to be granted under the refreshed Scheme Mandate Limit and 164,808,334 Shares to be allotted and issued upon full exercise of the outstanding

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Share Options), representing approximately 14.77% of the Shares in issue at the Latest Practicable Date and is within the 30% limit in issue from time to time as required under the Share Option Scheme.

The Board considers that refreshment of the Scheme Mandate Limit is in the interests of the Company and its Shareholders as a whole as it allows the Company to be more flexible in providing incentives or rewards to eligible participants for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The granting of Share Options to the employees of the Group will not affect the Group's cash flow but will help the Company to retain and/or recruit employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Since over 99.61% of the Scheme Mandate Limit as refreshed on 9 June 2015 has been utilized, to enable the Company to grant further Share Options to the Group's employees, the Board proposes to seek the Shareholders' approval to refresh the Scheme Mandate Limit as aforesaid at the EGM.

The refreshment of the Scheme Mandate Limit is conditional upon:

1. the passing of the necessary resolution to approve the refreshment of the Scheme Mandate Limit by the Shareholders at the EGM; and
2. the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing 10% of the Shares in issue as at the date of the EGM, which may be issued pursuant to exercise of Share Options to be granted under the refreshed Scheme Mandate Limit. Share Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised under the Share Option Scheme) will not be counted in the refreshed Scheme Mandate Limit.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be listed by the Company (representing 10% of the Shares in issue as at the date of the Extraordinary General Meeting) which may be issued pursuant to exercise of Share Options to be granted under the refreshed Scheme Mandate Limit.

EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve, among other things, (i) the Huarong Subscription Agreement and the Prosper Rich Subscription Agreement and the transactions contemplated thereunder (including but not limited to the Subscription Specific Mandates); (ii) the Amendments and the Convertible Bonds Specific Mandate; and (iii) the proposed refreshment of the Scheme Mandate Limit. The notice of the EGM is set out on pages 38 to 42 of this circular. If you do not intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before (i.e. 2:00 p.m. on Sunday, 20 February 2022) the time appointed for the holding of the meeting or any

LETTER FROM THE BOARD

adjournment thereof (as the case may be). The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The register of members of the Company will be closed from Friday, 18 February 2022 to Tuesday, 22 February 2022, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 17 February 2022.

Huarong, as at the Latest Practicable Date, held 90,485,295 Shares, representing approximately 2.62% of the existing issued share capital of the Company, being considered to have material interests in respect of the Huarong Subscription and the Amendments, shall abstain from voting at the EGM on the resolutions (1) and (3) (for details please refer to the notice of EGM) regarding (i) the Huarong Subscription Agreement and the proposed issue and allotment of the Huarong Subscription Shares; and (ii) the Amendments.

As at the Latest Practicable Date, (i) Prosper Rich held 32,090,074 Shares, representing approximately 0.93% of the existing issued share capital of the Company; and (ii) Ms. Lisa Leung was interested in an aggregate of 32,090,074 Shares (representing the Shares held by Prosper Rich), representing approximately 0.93% of the existing issued share capital of the Company, being considered to have material interests in respect of the Prosper Rich Subscription, shall abstain from voting at the EGM on the resolution (2) (for details please refer to the notice of EGM) regarding the Prosper Rich Subscription Agreement and the proposed issue and allotment of the Prosper Rich Subscription Shares.

Save as disclosed above, to the best of the Directors' knowledge, no other Shareholder will be required to abstain from voting on the resolution(s) approving the aforesaid matters.

VOTING BY POLL

The resolutions set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that (i) the terms of the Subscription Agreements, Huarong Amendments Documents and the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company, and are fair and reasonable, and (ii) the Subscriptions, the Amendments, the grant of the Specific Mandates and the refreshment of the Scheme Mandate Limit are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolutions to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

NOTICE OF THE EGM

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



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China Metal Resources Utilization Limited (the “**Company**”) will be held at Unit 02-03, 44/F., Cosco Tower, 183 Queen’s Road Central, Hong Kong on Tuesday, 22 February 2022 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement dated 31 December 2021 (the “**Huarong Subscription Agreement**”) (a copy of which is marked “A” has been tabled before the Meeting and signed by the chairman of the Meeting for the purpose of identification) entered into between the Company as issuer and China Huarong International Holdings Limited (“**Huarong**”) as subscriber in relation to the subscription of 500,000,000 shares of the Company (the “**Huarong Subscription Share(s)**”) at the subscription price of HK\$0.465 per Huarong Subscription Share and transactions contemplated thereby, be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise the powers of the Company to issue and allot the Huarong Subscription Shares, subject to and in accordance with the terms and conditions of the Huarong Subscription Agreement; and

NOTICE OF THE EGM

- (c) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient in connection with (1) the performance of the rights and/or obligations under the Huarong Subscription Agreement and (2) the issue and allotment of Huarong Subscription Shares pursuant to the Huarong Subscription Agreement.”

2. “THAT:

- (a) the subscription agreement dated 31 December 2021 (the “**Prosper Rich Subscription Agreement**”) (a copy of which is marked “B” has been tabled before the Meeting and signed by the chairman of the Meeting for the purpose of identification) entered into between the Company as issuer and Prosper Rich Investments Limited (“**Prosper Rich**”) as subscriber in relation to the subscription of 525,537,194 shares of the Company (the “**Prosper Rich Subscription Share(s)**”) at the subscription price of HK\$0.465 per Prosper Rich Subscription Share and transactions contemplated thereby, be and are hereby approved, ratified and confirmed;
- (b) the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to issue and allot the Prosper Rich Subscription Shares, subject to and in accordance with the terms and conditions of the Prosper Rich Subscription Agreement; and
- (c) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient in connection with (1) the performance of the rights and/or obligations under the Prosper Rich Subscription Agreement and (2) the issue and allotment of Prosper Rich Subscription Shares pursuant to the Prosper Rich Subscription Agreement.”

3. “THAT:

- (a) the deed of amendment dated 31 December 2021 and entered into among the Company, Mr. Yu Jianqiu and Huarong in relation to the proposed amendment (the “**Amendment**”) to the terms of the convertible bonds (the “**Huarong Convertible Bonds**”) in the original aggregate principal amount of HK\$390,000,000 issued by the Company on 31 July 2017, a 2nd supplemental convertible bond instrument in relation to the Huarong Convertible Bonds to be executed by the Company, 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 of the Company, 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, an amendment agreement to be executed by Huarong as custodian, Epoch Keen Limited as chargor and Huarong as chargee in

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relation to the tripartite agreement entered into on 8 August 2017, a guarantee confirmation to be executed by Mr. Yu Jianqiu and Huarong in respect of the guarantee and security given by Mr. Yu Jianqiu, 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 attached to the Huarong Convertible Bonds (as amended) (collectively the “**Huarong Amendment Documents**”) (a copy of each of the Huarong Amendment Documents has been produced to this meeting marked “C” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the new shares (the “**New Shares**”) of the Company to be allotted and issued upon the exercise of the conversion rights attached to the Huarong Convertible Bonds (as amended), the Directors be and are hereby granted a specific mandate (the “**Convertible Bond Specific Mandate**”) to allot and issue the New Shares upon the exercise of the conversion rights attached to the Huarong Convertible Bonds (as amended) provided that the Convertible Bond Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution; and
- (c) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient in connection with (1) the performance of the rights and/or obligations under the Huarong Amendment Documents and (2) the issue and allotment of New Shares pursuant to the Huarong Convertible Bonds (as amended).”

4. “**THAT:**

- (a) conditional upon the Stock Exchange granting listing of and permission to deal in the shares to be issued upon the exercise of options under the share option scheme adopted by the Company on 28 January 2014 (the “**Share Option Scheme**”), the existing scheme mandate limit in respect of the granting of share options to subscribe for shares under the Share Option Scheme be refreshed and renewed provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercise of the share options under the Share Option Scheme (excluding share options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the shares of the Company in issue as at the date of passing this resolution; and

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- (b) any one or more Directors be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), to grant share options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such share options.”

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

4 February, 2022

Notes:

1. All resolutions at the extraordinary general meeting will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M, Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before (i.e. 2:00 p.m. on Sunday, 20 February 2022) the time appointed for holding the Meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoke.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. The register of members of the Company will be closed from Friday, 18 February 2022 to Tuesday, 22 February 2022, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 17 February 2022.
8. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 7:30 a.m. on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the websites of the Company at www.cmru.com.cn and the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the adjourned meeting.

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9. The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 pandemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; (iii) no provision of refreshments and/or corporate gifts; and (iv) every attendee is required to complete a health declaration and personal information form (which may be used for contact tracing, if required) and submit the same at the entrance of the Meeting venue before admission into the Meeting venue. Any person who does not comply with the precautionary measures may be denied entry into the Meeting venue. Shareholders are encouraged to appoint the chairman of the Meeting as their proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the Meeting arrangements at short notice. Shareholders should check the Company's website at www.cmru.com.cn for further announcements and updates on the Meeting arrangements.

As at the date of this notice, 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.