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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)**

### **INSIDE INFORMATION**

#### **(1) UPDATE ON THE BANKRUPTCY REORGANISATION APPLICATION OF PRC SUBSIDIARIES OF THE COMPANY AND (2) CONTINUED SUSPENSION OF TRADING**

This announcement is made by China Metal Resources Utilization Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) and 13.25(1)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 6 June 2022, 3 August 2022, 5 August 2022, 3 January 2023, 28 March 2023, 25 May 2023 and 23 February 2024, in relation to, amongst other things, the Bankruptcy Reorganisation Applications and Debt Restructurings of Tongxin, Jin Xunhuan and Taiyue (the “**Relevant Subsidiaries**”) (collectively, the “**Announcements**”). Unless the context otherwise requires, terms used in this announcement shall have the same meaning as those defined in the Announcements.

#### **THE SECOND CREDITORS’ MEETING**

The second creditors’ meeting for the Relevant Subsidiaries (the “**Second Creditors’ Meeting**”) was held on 3 June 2024 at 9:30 a.m. at the conference room 3009 of the Court, relevant information of which is set out in the below.

#### **Agenda of the Second Creditors’ Meeting**

The agenda of the Second Creditors’ Meeting included: period performance report of the Joint Administrators, verification of the creditors’ rights, report of the Relevant Subsidiaries’ business operations by the Joint Administrators, proposed resolutions, review of the Relevant Subsidiaries’ property status report and the Relevant Subsidiaries’ management plan and operation supervision plan.

## **Progress on the debt restructuring of the Relevant Subsidiaries**

Since the first creditors' meeting, the Joint Administrators have worked closely with the Relevant Subsidiaries' management to review the companies' production and operation status and development prospects, carried out the maintenance and commissioning of production equipment, visited upstream and downstream customers and communicated and coordinated with the relevant creditors to solve the problem of the breakdown in supply chain caused by the long-term suspension of production at the Relevant Subsidiaries. At the same time, the Youxian District Committee and District Government and the Youxian High-tech Zone Management Committee attached great importance to and strongly supported such initiatives, and have helped to arrange for the Joint Administrators to borrow RMB80 million common debt so that the Relevant Subsidiaries can resume production. The Joint Administrators then reported to the Court for approval, allowing the Relevant Subsidiaries to officially resume operation and production on 1 June 2023.

According to the Joint Administrators, for the one-year period ended 31 May 2024, the Relevant Subsidiaries produced 21,282 tons of products, sold 21,058 tons of products, achieved sales revenue of RMB1,450 million, collected RMB176 million in taxes, and reported a net loss of approximately RMB18 million. The resumption of operation and production at the Relevant Subsidiaries has provided employment for nearly 200 people.

In order to reverse the loss-making situation, enhance the Relevant Subsidiaries' profitability, and raise the Relevant Subsidiaries' production capacity and output value, the Relevant Subsidiaries plans to build a new electrolytic copper vertical furnace production project as soon as possible. At present, the feasibility study report of the "16T/H vertical furnace melting electrolytic copper production copper rod project" has been completed, and the process comparison analysis of equipment types and the "three simultaneous" occupational health evaluation of the construction project have been completed. The environmental impact assessment and safety assessment have entered the approval stage. At the same time, in order to reduce energy consumption and improve product quality, funds have been invested to upgrade the existing combustion system.

In order for the Relevant Subsidiaries to repay debts, and achieve the restructuring goal, the Joint Administrators continued to focus on the Relevant Subsidiaries' investment promotion work and actively strived to introduce quality investors to the Relevant Subsidiaries, while continuing to work on the Relevant Subsidiaries' resumption of operation and production. In the past year, the Joint Administrators have contacted and negotiated with more than ten potential investors. At present, there are three potential investors with strong intentions, and they are further negotiating with the Joint Administrators, the Relevant Subsidiaries and its ultimate parent company (China Metal Resources Utilization Limited) on investment details.

## **Proposed resolutions at the Second Creditors' Meeting (the "Proposed Resolutions")**

1. to continue productions and operations of the Relevant Subsidiaries to 30 November 2024; and
2. to change of common debt creditors to Sichuan Kaiyue Investment Group Co., Ltd.\*

## **Background information on the Proposed Resolutions**

The Joint Administrators considered that the Relevant Subsidiaries should be able to turn the current loss into profit. However, the success of this debt reorganization would also require the settlement of all or part of the total amount of debts.

According to the estimates of the Joint Administrators, assuming all goes well according to plan, the Relevant Subsidiaries can generate profits of approximately RMB100,000,000 per annum. Based on this estimate and a six-year reorganization period, the Relevant Subsidiaries can only repay its common debt, bankruptcy expenses, mortgages and pledged priority claims, employee claims and part of tax claims, while the amount of ordinary debts are not able to be repaid.

If the debt reorganization cannot continue or is unsuccessful, the Joint Administrators will apply to the Court for liquidation procedures in accordance with the provisions of the Bankruptcy Law. The Joint Administrators also estimated that if the Relevant Subsidiaries proceed to liquidation, according to the Relevant Subsidiaries' current financial condition, the debts that can be repaid will be even less. With the funds obtained from the disposal of assets, after paying the common debt, bankruptcy expenses, and paying off mortgages, pledged priority claims and employee claims, all outstanding tax claims and ordinary debts will still remain outstanding.

After careful consideration, the Joint Administrators believed that the only way of achieving the partial or full repayment of the ordinary debts is that the Relevant Subsidiaries' ultimate parent company (China Metal Resources Utilization Limited) can resume its trading of its shares on the Stock Exchange. Then, the majority of the ordinary debts can be settled by way of capitalization into equity of China Metal Resources Utilization Limited. Debts that cannot be settled in this way will be partially or fully repaid through funds from continued operations of the Relevant Subsidiaries'.

The Joint Administrators considered that to achieve partial or full settlement of ordinary debts, the Relevant Subsidiaries needs to continue to operate. Although the Relevant Subsidiaries' operations have not yet turned profitable, the Joint Administrators believed that the resumption of production and work done so far have provided support for the resumption of trading of shares of China Metal Resources Utilization Limited, and have laid the foundation for the realization of the Relevant Subsidiaries' subsequent goals.

Based on the above, the Second Creditors' Meeting needed to decide whether the Relevant Subsidiaries should continue to operate and how long the period of operation should be.

The Joint Administrators therefore put forward its proposed resolutions for voting at the Second Creditors' Meeting as follows:

If it is agreed to continue operations of the Relevant Subsidiaries, the operating period will be 6 months (that is until 30 November 2024). If China Metal Resources Utilization Limited fails to resume its share trading before then, the Joint Administrators will suspend the operation and production of the Relevant Subsidiaries after 30 November 2024, and will apply to the Court to proceed with bankruptcy liquidation procedures. If China Metal Resources Utilization Limited resumes its share trading before then, the Joint Administrators will notify the chairman of creditors' meeting to convene creditors' meeting to make further decisions on the relevant matters on the debt restructuring.

In June 2023, with the approval of the Court, the Joint Administrators helped the Relevant Subsidiaries to borrow a loan from Mianyang Fule Investment Co., Ltd.\*. The principal amount of the loan was RMB50,000,000, which has a term of 1 year and annual interest rate of 9%. In July 2023, the Joint Administrators helped the Relevant Subsidiaries to borrow a loan from Sichuan Kaiyue Investment Group Co., Ltd.\*. The principal amount of the loan was RMB30,000,000 at annual interest rate of 9%. The loans are known as "common debt" which can only be used for the

resumption of work and production of the Relevant Subsidiaries.

Mianyang Fule Investment Co., Ltd.\*'s common debt has matured and it has requested repayment from the Joint Administrators. After negotiation, Sichuan Kaiyue Investment Group Co., Ltd.\* was willing to provide a further common debt of RMB50,000,000 for the repayment of the common debt owing to Mianyang Fule Investment Co., Ltd.\*.

The Joint Administrators therefore put forward its proposed resolutions for change of ownership of the common debt for voting at the Second Creditors' Meeting

### **Voting results of the Second Creditors' Meeting**

The agenda were completed on the Second Creditors' Meeting. Because several state-owned enterprises were unable to vote on the spot, the Joint Administrators gave such creditors five days to submit their votes.

On 12 June 2024, the Joint Administrators notified creditors via text message the voting results of the Second Creditors' Meeting. The resolutions to continue productions and operations of the Relevant Subsidiaries and change of common debt creditors of the Relevant Subsidiaries were duly approved and passed in the Second Creditors' meeting.

The Company will keep the shareholders and the public informed of any major developments in relation to the Debt Restructurings by issuing further announcement(s) as and when appropriate.

### **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. There is no guarantee on the outcome of the Bankruptcy Reorganisation Applications or the Debt Restructurings, as it may depend on many factors including the macro-economy, the finalized accounts of the Relevant Subsidiaries, the attitude of creditors and the successful introduction of strategic investor(s).**

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

Hong Kong, 19 June 2024

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

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